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Soviet Union

International Affairs

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27 September 1991

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Kondrashov Views USSR's Changed World Status

PM0809131391 Moscow IZVESTIYA in Russian
7 Sep 91 Union Edition p 3

[Stanislav Kondrashov article under the "Political Observers' Opinion" rubric: "New Place in the World"]

[Text] The new realities of our policy, both domestic and foreign, were apparent once again on Friday morning on the television: Mikhail Gorbachev and Boris Yeltsin in St. George's Hall in the Kremlin like the incarnation of the old Russian saying—"Let's sit down and have a friendly chat." They spoke of their harmony and cooperation for all America. Which in turn indicated at least two things: ABC-TV's receptiveness and ability to think big, along with the fact that relations with the transatlantic power are as significant for us as before, albeit in a different way—significant not because of confrontation but because of our desire for economic and political backing on our new path.

A question that frightens the West arose during the television hookup with the two presidential early birds: What is happening to Soviet nuclear weapons during the collapse of the unified state? There is still very strict control, we heard, and the Russian president indicated that henceforth his finger is quite near or even on the nuclear button alongside the Union president's finger. On the question of the new organization of the military-strategic space, Yeltsin said that nuclear weapons are to be moved to Russia from Kazakhstan and the Ukraine, confirming Russia's natural key role in the changing circumstances. Foreign economic activity will henceforth, he told us, be two-tier, as it were—with common principles prescribed by the center and specific "substance" provided by the republics.

So, the main deciding voice is where the main real power is. Power is switching to the republics and Gorbachev is no longer denying the fact that Yeltsin has at least equal rights. The outside world is aware of this as it adapts its relations with us to suit our internal alignment of forces. Do the two presidents form a duumvirate? Other parties to the "Statement by the 11" are hardly willing to agree to that. For them the remnants of the center counterbalance the Russian tendency to dominate, and I think that this is helping Gorbachev find himself a new, coordinating role.

So, the former USSR has effectively died, although it still exists pro forma under its former name pending the transition to the Union of Sovereign States—if this fairly awkward name catches on and if, of course, the goal is reached. The Union is dead, long live the Union!

However, from the viewpoint of the world alignment of forces it will no longer be the superpower that was guided within its own boundaries and on the global stage by the CPSU's totalitarian, messianic ideology. In effecting the August coup d'etat the superpower's central structures, already weakened by perestroika, committed suicide. The idea of a state system under which a person or

citizen only constituted a building block for a happy future that was forever slipping away, has been lost. The system of priorities has been overturned and we are now proclaiming as the top priority human rights, followed by the rights of the people and their self-determination, and only then the rights of the state in general. There is no way back, and ahead lie the birth pangs of an unprecedented interstate formation sprawling over Europe and, still wider, into Asia.

Every sovereign republic has to produce its own blend of national tradition and the principles of democracy and a market economy and every republic has to embody the concept of a state within a state. However, no one has effectively had historical experience of their own statehood, barring the three Baltic republics. They prefer not to take part in the new experiment, seceding from the Union and winning an avalanche of recognition from other states in the favorable circumstances created following the abortive coup.

The new historical experiment that has taken the place of the former tragic experiment not only cancels our superpower status but also changes our whole image, the whole nature of our world presence. No active foreign policy is expected during the transitional period. In conditions of profound crisis economic rather than political and military-strategic interests will be vital. Each republic, seeking sovereign rights, will begin to master the attractive but difficult field of economic cooperation with neighboring and far-off countries. Each republic will find itself in the position of a pupil deciding for himself whether to avail himself of the services provided by the teacher from the center who has been deposed and demoted but retains his qualifications. Foreign economic and foreign political interests will be balanced within the community of sovereign states by trial and error. A great deal depends on the leaders' personalities; they influence the pace and nature of the transformations. Since the process is a long one, the personalities, like the circumstances, will change.

Now, at the beginning of fall 1991, West and East see us as a power that has gone to pieces, where joy at democracy's victory over the putschists goes hand in hand with fears of a cold and hungry winter. Civilization is ready to accept us into its family if we pass the entrance examinations of human rights and market reform. However, there is alarm lest the fragments of the collapsed empire (let us recall Oldzhas Suleymenov's metaphor) fall on its head. Won't the raging energy of disintegration spread, despite assurances to the contrary, to the 30,000 nuclear warheads stockpiled by previous Soviet regimes, roughly 10,000 of which are strategic warheads? President Bush is still not stinting with his compliments, but firmly refuses to heed the calls of those of his compatriots who would like to see an accelerated and more radical cut in U.S. military spending. While pro forma sparing other people's pride, America is effectively acting as guarantor of the kind of world order it finds desirable and also as a prestigious arbiter and adviser in Soviet domestic affairs.

As for a drastic cut in Soviet military spending, British Premier John Major talked about this to both Gorbachev and Yeltsin during his recent intensive visit to Moscow—and received the appropriate assurances from both men. Military-strategic parity against a backdrop of rapid impoverishment of the working people must be forgotten.

U.S. Secretary of State James Baker will arrive in Moscow in a few days to study the state of affairs on the spot. Bush has had difficulty in giving up his relations primarily with the central authorities in Moscow where he has put down political roots, but life is imperiously

telling him of the need for change. Baker's recommendations are expected to include returning the South Kuriles to Japan, stopping Soviet aid to Cuba, and reducing aid to Afghanistan. This "unfinished business" may make it hard for us to obtain both general Western aid for our reforms, along with the food aid that is increasingly necessary ahead of a severe winter. We are told almost word for word: First, live according to your means and, second, those embarking on the path of democracy do not help antidemocratic regimes.

The new ideals and the logic of the new path will do their work.

Rules for Hard Currency Operations

91UF1132A Moscow *EKONOMIKA I ZHIZN*
in Russian No 25, Jun 91 pp 18-19

[Rules of Operations in Center for Interbank Currency Operations (Currency Exchange) of USSR State Bank]

[Text] I. General Provisions

1. The Center for Interbank Currency Operations (hereafter referred to as the "Center") was established in accordance with Order No 13 of the USSR State Bank Board of 27 February 1991 to organize and participate directly in the trade in foreign currency at the market rate of exchange of foreign currency for rubles, based on current demand and supply (hereafter referred to as the "market rate of exchange").

2. The Center will conduct the following types of operations:

the conclusion of transactions for the purchase and sale of foreign currency with Center members;

the organization of bilateral transactions between Center members for the purchase and sale of foreign currency at the market rate of exchange;

the organization of settlements in foreign currency and in rubles for transactions concluded in the Center;

the definition of the current market rate of exchange of foreign currency for rubles;

the organization of the operations of the USSR State Bank for the regulation (maintenance) of the market rate of exchange of foreign currency for rubles.

3. Trading will be conducted in the Center twice a week—on Tuesdays and Thursdays—from 9:30 to 11:30 in the USSR State Bank building (No 12 Neglinnaya, Moscow).

4. Only registered representatives of Center members and the Center and USSR State Bank personnel organizing and conducting the exchange sessions will be allowed into the trading hall.

II. Members of Center

5. Only specially registered members of the Center and the USSR State Bank will have the right to participate in the trade in foreign currency in the Center.

6. Membership in the Center will be conditional upon regular operations for the purchase and sale of foreign currency.

7. The following may be members of the Center:

banking establishments licensed by the USSR State Bank or republic central banks to conduct foreign currency operations;

the USSR Bank for Foreign Economic Operations, on the basis of its charter and the decree of the USSR Supreme Soviet "On the Procedure for Enacting the USSR Law 'On the State Bank of the USSR' and the USSR Law 'On Banks and Banking'";

financial establishments empowered by decrees of the government of the USSR to conduct foreign currency operations.

8. Members of the Center may conduct operations:

1) in their own name and at their own expense;

2) in their own name at the request of clients and authorized banks (brokerage operations for a commission).

9. Members of the Center will pay a one-time membership fee of 20,000 rubles and a contribution to the Center insurance fund in the amount of 50,000 U.S. dollars and 150,000 rubles.

10. Center members will conduct operations in the Center through representatives after the professional requirements of these employees have been verified by the Center. Representatives of Center members may not conduct operations in their own name and at their own expense. Center members will be fully responsible for the actions of their representatives.

III. Procedure of Purchase and Sale of Foreign Currency by Center Members for Enterprises and Citizens

11. Soviet enterprises, including those established with the aid of foreign investments (hereafter referred to as "clients"), will have the right to buy or sell foreign currency in the Center through Center members.

12. A client wishing to buy or sell foreign currency will submit an order (following the format in appendices 1 and 2 [not translated]) and the documents specified in Clause 20 of these rules to an authorized bank. If copies of import licenses and contracts for goods and services cannot be presented at the time the order is submitted, they must be presented within 15 working days after the date of the deposit of purchased foreign currency in the client's special account. The Center member accepting the order for the purchase or sale of foreign currency will verify the legal capacity of the client.

The order for the purchase of foreign currency will state the purpose for which the currency will be used. This foreign currency may be used by the client:

a) for the transfer of current payments of the interest and principal of loans abroad;

b) for the purchase of goods and services requiring immediate payment and not presupposing the extension or solicitation of loans in foreign currency;

c) for the transfer of dividends on investments in the USSR economy abroad;

d) for the sale of foreign currency to citizens planning to take the currency abroad in accordance with the "Rules of Purchase and Sale (or Transfer) of Foreign Currency to Citizens Planning To Take the Currency out of the Country."

13. If the client wishes to buy an amount of foreign currency equivalent to 3 million U.S. dollars or more, he must obtain permission from the USSR State Bank.

14. Purchased foreign currency will be deposited in a special account for the client in an authorized bank and may be used only for the purpose stipulated in the purchase order.

15. Foreign currency purchased for sale to citizens will be deposited by the member of the Center in the appropriate correspondent account of an authorized bank and used in accordance with the "Rules of the Purchase and Sale (or Transfer) of Foreign Currency to Citizens Planning To Take the Currency out of the Country."

IV. Procedure of Purchase and Sale of Foreign Currency in Center by Authorized Non-Member Banks

16. Authorized banks which are not members of the Center (hereafter referred to as "authorized banks") will have the right to buy and sell foreign currency in the Center through Center members.

Authorized banks will have the right to buy foreign currency only if it is to be used for the purposes listed in Clause 12 and according to the procedure stipulated in clauses 13-15 of these rules.

17. Operations for the purchase and sale of foreign currency will be conducted in the Center on the basis of orders from authorized banks (according to the format of appendices 3 and 4 [not translated]).

V. Procedure for Opening and Administering Special Accounts of Clients

18. Special accounts will serve as a way of keeping records of the foreign currency purchased by clients in the Center and will be opened in authorized banks receiving orders from clients for purchases of foreign currency.

19. On instructions from the owners of the funds in these special accounts, the funds may be:

a) transferred abroad for settlements for the purposes listed in Clause 12 of these rules;

b) transferred to their commercial foreign currency accounts if the amount remaining after the transfer of funds abroad for purposes listed in Clause 12 of these rules does not exceed 10,000 U.S. dollars;

c) used for other purposes with the permission of the USSR State Bank.

The authorized bank keeping the special account for the client will oversee the use of the funds in the account for the appropriate purposes.

20. Authorized banks administering special accounts will release the funds in them for settlements for the purposes listed in Clause 12 of these rules when the client presents the following documents:

a) in cases of settlements for imported goods and services, copies of the contract confirming the payment dates and amount and copies of the import license (if the goods and services are licensed);

b) in cases of current payments of the interest and principal of loans, documents confirming the extension of credit and the terms of repayment;

c) in cases of the transfer of dividends on investments in the USSR economy abroad, a notarized copy of a decision by the highest body of an enterprise on the payment of dividends.

21. When foreign currency is purchased in the Center after the presentation of the documents listed in Clause 20 of these rules, it must be used by the client within 2 months after the date of its deposit in the special account.

When foreign currency is purchased in the Center without the presentation of the documents listed in Clause 20 of these rules, they must be presented by the client to the authorized bank within 15 working days after the date of deposit of the foreign currency in the special account. If this condition is not fulfilled, the authorized bank must sell the purchased foreign currency on the terms specified in Clause 22. When the documents are presented, the maximum period of deposit of the foreign currency will be prolonged to correspond to 2 months after the date of its deposit in the special account.

22. When the period of deposit specified in Clause 21 of these rules expires, the authorized bank must sell the client's unused foreign currency at the next trading session in the Center.

If the current rate of exchange of the U.S. dollar to the ruble at which the foreign currency is sold is higher than the rate at which the foreign currency was purchased, the funds the client receives as a result of the positive difference in rates will be transferred to the Center's account in the Central Operational Administration of the USSR State Bank for the use of the USSR State Bank.

If the current rate of exchange of the U.S. dollar to the ruble at which the foreign currency is sold is lower than the rate at which this foreign currency was purchased, the client will cover the losses connected with the negative difference in rates.

23. Interest will not be paid on the deposits in special accounts.

VI. Format of Purchase and Sale Orders of Center Members

24. Before the beginning of trading, the Center members will submit an order to the Center for the purchase and/or sale of foreign currency, without a breakdown of the operations to be conducted at their own expense or at the request of clients and authorized non-member banks. The order will state the amount of foreign currency to be purchased or sold and may stipulate the rate of exchange at which Center members will be willing to buy or sell currency.

25. The foreign currency purchase or sale amount will be indicated in U.S. dollars.

26. The minimum currency purchase or sale amount will be 10,000 U.S. dollars. The amounts of foreign currency stipulated in the orders must be multiples of 10,000 U.S. dollars.

27. During the trading, Center members may submit additional orders through their representatives and also change the purchase or sale amount and the exchange rate in earlier orders.

28. In cases of considerable disparities between the demand for foreign currency and the supply of this currency, the USSR State Bank may impose temporary limits on currency purchases for Center members before the trading begins or stop the trading temporarily.

29. The Center may require its members to deposit and freeze funds in foreign currency and rubles to be sold in the Center in their correspondent accounts in the Central Operational Administration of the USSR State Bank (in rubles) and the International Moscow Bank in Moscow (in foreign currency).

VII. Calculation of Market Rate of Exchange

30. The administration of the trading session and the determination of the market rate of exchange will be the responsibility of a specially authorized employee of the Center—the rate broker.

31. The rate recorded in earlier trading sessions will be used as the initial rate of exchange of U.S. dollars to rubles. When the trading begins, the rate broker will announce the total amounts of orders for the purchase and sale of foreign currency at that rate.

If the total supply of foreign currency at the beginning of trading exceeds the total demand for it, the rate broker will lower the exchange rate of the U.S. dollar to the ruble. If the total demand for foreign currency exceeds the total supply, the rate broker will raise the exchange rate of the U.S. dollar to the ruble.

Other methods of setting the current rate of exchange of foreign currency for rubles may be used by a decision of the exchange board.

32. The unit of change in the exchange rate of the U.S. dollar to the ruble will be 0.1 ruble. The rate will be

changed after representatives of Center members reduce or increase their orders for the purchase or sale of foreign currency at the given market rate.

All orders from representatives of Center members for the purchase or sale of foreign currency given directly to the rate broker during the trading must be presented in writing in the established Center format.

33. The fixed exchange rate of the U.S. dollar to the ruble for the current trading session will be set when the supply and demand of foreign currency are balanced.

34. A single exchange rate of the U.S. dollar to the ruble will be used for all transactions in a trading session.

35. The Center will define the exchange rate of other freely convertible currencies to the ruble through cross-rates based on the current exchange rate of the U.S. dollar to the other foreign currencies.

36. If total purchases of foreign currency do not exceed 10 million U.S. dollars during a trading session, the market rate of exchange used by authorized banks in operations with the currency of citizens will remain unchanged.

VIII. Procedure of Settlements for Transactions in Center

37. After the end of trading sessions, the Center will issue exchange certificates recording the results of the sessions to representatives of Center members. The certificates will have the force of contracts between the Center and its members. They will state the total number of transactions conducted through the Center, stipulating the balance between currency purchases and sales, the exchange rate, and the amount of the Center's commission.

The certificates will be filled out in two copies and signed by the rate broker conducting the session and representatives of the Center members.

38. Payments in rubles for transactions in the Center will be made through the Central Operational Administration of the USSR State Bank, and payments in foreign currency will be made through the International Moscow Bank in Moscow. These banks will open correspondent accounts for the Center and its members for settlements in exchange transactions.

The certificates will be used as a basis for payment orders:

- 1) to the Center for the transfer of funds (in rubles or foreign currency) to Center members (buyers);
- 2) to Center members (sellers) for the transfer of funds (in rubles or foreign currency) to the Center.

Center members must present their payment orders to the Center by 10:30 on the day following the session for subsequent centralized settlements.

39. Funds from the correspondent accounts of Center members will be transferred to the Center account on the second working day (not counting U.S. and USSR holidays) after the trading session.

Funds from the Center account will be transferred to the correspondent accounts of Center members on the third working day (not counting U.S. and USSR holidays) after the trading session.

40. In the event of delays in payments by trading participants, the Center may use the insurance fund or may make payments on credit.

Fines will be levied for violations of payment dates by Center members:

Buyers of foreign currency in rubles will be charged the rate the USSR State Bank charges commercial banks for late payments for each day of arrears.

Sellers of foreign currency in U.S. dollars will be charged the LIBOR rate (London Interbank Offered Rate) for the month plus 4 percent per annum for each day the payment is overdue.

41. If a Center member does not settle accounts for Center transactions within 14 days, the member's trading privileges will be suspended. When the period of arrears reaches 30 days, membership will be revoked and all debts will be collected according to the procedure established by law.

IX. Commissions for Center Transactions

42. The Center will charge Center members a commission in the amount of 0.3 percent of the balance of purchases and sales of currency through the Center for the organization of the trading in foreign currency. The commission will be deducted from the funds transferred from the Center to Center members for sold rubles and foreign currency.

43. Center members will charge non-member clients or authorized banks a commission in the amount of 1.3 percent of the transaction amount for brokerage services.

44. The seller of foreign currency will pay the commission in rubles, and the buyer of foreign currency will pay the commission in foreign currency.

X. Accountability of Center Members

45. Center members will provide the Center with the following data each week:

a) total amounts of foreign currency purchased and sold (specifying operations conducted at their own expense and at the request of clients);

b) total sales of foreign currency through special accounts according to the procedure stipulated in Clause 22 of these rules;

c) the exchange rate for these transactions;

d) the names of the clients buying and selling foreign currency and the purposes of the currency purchases.

The bank will keep the information about the currency operations of Center members confidential.

Taiwan's Cosmos International Comes To Narva

91UN2560A Tallinn SOVETSKAYA ESTONIYA
in Russian 28 Jun 91 p 2

[Article by Correspondent Genrikh Komlev: "Signs of the New in Narva: Cosmo-West Begins and..."]

[Text] Narva—Our newspaper recently described an interesting experiment begun this spring at the Krengolm Manufaktura combine in which workers in basic occupations who so desire can work three shifts and have a portion of their wages credited to them in the dollar equivalent. But the foreign currency earned in this way is of value to the Krengolm workers not in and of itself (it is not given to them in cash!), but only as a means of acquiring goods, mostly imported ones, that cannot be bought with our relatively useless rubles.

We have already reported how Krengolm's management sought to provide its workers with this opportunity and planned to buy consumer goods abroad specifically in order to convert the foreign currency they earn into goods.

And now the combine has received help from unexpected quarters. Our nascent private business, which essentially has yet to develop beyond the embryonic stage, has already showed just what it is capable of achieving. Unlike our sluggish and bureaucratized state trade, bound hand and foot and with one foot in the grave, the private business sector reacted instantly to the Krengolm experiment. Some 3,500 Narva textile workers acquired dollars but still didn't have anything to buy with them! This presented a potential minimarket in which he who comes first is king.

And the first to come on the scene was Cosmo-West Limited, a foreign trade and industrial innovation firm officially registered by the Narva City Soviet only recently, on February 20, 1991. The firm is an international association whose shareholders are businessmen from Taiwan, Austria, Liechtenstein, and the Soviet Union. The first part of the name, Cosmo, symbolizes its relationship to Taiwan's powerful trade and industrial company, Cosmo International Incorporated, which in the 10 years of its existence has brought together all the major textile industry firms of that Chinese island state. This Far Eastern textile federation, which has long-standing business contacts with Krengolm, became one of the founders and shareholders of the new firm that has sprung up on the shores of the Baltic.

The firm's debut has drawn quite a lot of attention precisely in connection with the Krengolm experiment. An exhibit hall in the newly restored and just-opened Art Gallery (our newspaper has reported on the gallery in

detail) contains an exhibit of almost 400 types of consumer goods that are produced in Taiwan and being offered to the Narva textile workers (and their dollar accounts).

Needless to say, all the goods meet world standards. Taiwan's industry doesn't produce any other kind of goods, as it is organically integrated into the world market, with its harsh and stringent laws of competition. The exhibit displays footwear, clothing, umbrellas, all sorts of fabrics, children's items, cosmetics produced by French license, electric irons, sewing machines, modern electronic items such as televisions and telefax machines, and much more.

Near each item on display is the price in American dollars. The prices are fantastically low. Not only in comparison with the prices charged for these goods in our commercial foreign-currency stores, but also by European standards, including those of our northern neighbors in Scandinavia. As Boris Sidorov, head of the Cosmo-West trade department, told me, these prices are roughly 40 percent below the average European level.

This is the "golden key" that Taiwan industry has used to open the doors to the markets of many of the world's countries, including the US, for its goods. Nor does any of this smack of vulgar dumping, which is utterly unacceptable under the universally accepted laws of world business.

It is simply that, in the first place, the unit production costs of Taiwanese industry are significantly lower than those of its European and North American competitors, since the country has cheaper labor. Second, on the products' route from producer to consumer there are virtually no middlemen, whose services raise the cost of goods: Such is the structure of the Taiwanese trade and industrial system, one of "Asia's young dragons" that have succeeded in taking maximum advantage of the extremely rich experience of the older industrial giants of Europe and North America and in organizing their production and commercial activities in the most rational manner. (We, for our part, shouldn't overlook the experience of these "Asian dragons"!)

The fact that the idea for the exhibit in Narva has been a stunning success is borne out by the mere fact that in its first six days of operation, it has drawn no less than 3,000 visitors. Despite the fact that no efforts were made to publicize it in the city. Its opening was announced only in Krenholm, and workers with foreign currency were invited to visit it.

The workers with foreign currency not only scrutinized the exhibit in the most attentive fashion; they also studied the exhibit's catalogs of products offered by Taiwanese firms in an equally scrupulous manner. Then they filled out their orders for various goods on special order forms. The orders will be analyzed and summarized in conjunction with representatives of Krenholm and Cosmo-West; on the basis of the orders, a contract

will be concluded between the combine and the firm for the delivery of Taiwanese products for the textile workers.

The advantage to both sides is obvious. The private firm will acquire yet another sales market (albeit a small, "mini" market, though one paying hard currency). And Krenholm will be able to provide its workers holding dollar accounts with relatively inexpensive and high-quality imported goods that until now had been absolutely unavailable to them.

The additional psychological factor is also significant. There were people at the combine for whom foreign-currency wages—especially equivalent accounts, not ready cash—was a rather obscure abstraction: "What can I buy with these invisible \$10?" Without knowing the answer to this question, one would not be particularly inclined to earn those \$10. But at the exhibit these people were able to see for themselves and to touch and hold in their hands fully real goods about which they could only dream before—and goods whose prices fell within the narrow limits of their foreign-currency earnings, even for one month, not to mention wages saved up over several months. "Yes, that's worth working for!"—these words were heard in the exhibit hall more than once. This makes for yet another strong incentive for hard, productive, and high-quality work, for improving one's qualifications, and for putting up with the grinding and exhausting three-shift work schedule. If that's the way it has to be, if there's no managing without that unfortunate three-shift work schedule, the reward should be a fitting one!

Cosmo-West intends to establish itself in Narva not only as a supplier of foreign-made goods in short supply to be sold for hard currency. Yes, it plans to open its own foreign-currency store here in the near future. And at the same time, a "rubles-only" store as well! The firm has already established business contacts with light-industry enterprises in the Baltics, the Ukraine, Russia, Tajikistan, and Uzbekistan. Using its international contacts, it is helping its partners solve the extremely difficult problem of raw materials, a problem that is shutting down entire shops and even sprawling enterprises these days. And in return it is obtaining finished output in high demand on the union market.

The Narva workers have already been able to assess to some extent the effect of such deals with the firm after viewing the Art Gallery's small collection of women's clothing designed and produced by Kiev designers and seamstresses from the Kreshchatik Republic Modeling Center. In the opinion of local businessman who visited the exhibit, the items on display are being offered "at half-price."

Delays in privatization of the trade sphere (the businessmen from Cosmo-West were counting very much on that privatization) have put them in a very difficult position: They have the goods, but nowhere to sell them. And this at a time of universal goods shortages!

But business people don't waste time. Trade is by no means the only area in which their firm is active. Perhaps of even greater value to the city will be another one of the firm's interests—consumer goods production.

"We have leased the former Garment Factory No 4 from the city consumer goods production directorate," Cosmo-West director Vladimir Cherkasov told me. "There we are going to open our own clothing factory. Right now we are renovating the facility. All the equipment has already been brought here and is ready for installation. We bought it from Japan. We're going to buy the fabrics from Japan, Italy, and Taiwan, as well as models from those countries. In this way, the technology, materials, and models will all be at the highest contemporary level. How could we do otherwise? After all, our goods will be sold on the world market."

"And will Narva benefit from your factory in any way?"

"Under the terms of the lease, we will keep 50 percent of all output here and sell it in the city. We are also going to set up a knitwear factory under the same terms. The equipment for it is already en route. We bought it from Taiwan, Japan, and Italy."

"When can we expect to see your products in Narva?"

Vladimir Sergeyevich's answer contained not a shadow of a doubt:

"We're starting up the clothing factory in July. No later! We are already starting to hire personnel. We will need at least 100 seamstresses alone."

In chess, there is a whole array of problems with the task, "White begins and wins." Cosmo-West has made its opening commercial moves on the Narva economic chessboard in a vigorous and effective way. Time will tell just how the game proceeds. Let's hope that the people of Narva win.

Novgorod to Form Free Enterprise Zone

Trade Official Interviewed

91UN2606A Moscow DELOVOY MIR in Russian
6 Jul 91, p 2

[Interview with Viktor Abramovich Bykov, Novgorod Oblast Executive Committee Foreign Economic Associations Department chief, by Sergey Golubenkov, correspondent: "Mr. Free Novgorod"; date and place not given]

[Text] According to the chronicles, Novgorod used to have a popular governing body, and the liberties of the Novgorodites was recorded in a document bearing 58 seals. This free state stretched to the North even beyond the Volga, and was a member of the Hanseatic League. Novgorodites banned dealings among themselves with the coins introduced by the Tatars, and in the year 1420 began to mint their own coins. The reason for the rise and the power of

Great Novgorod was trade. But the republic was cruelly destroyed in the invasion of Ivan Vasilyevich, the Terrible.

The facts cited above are altogether sufficient to demand the return of sovereignty or, at the very least, to give some thought to an independent path for economic development. Does the spirit of free enterprise yet live in today's Novgorod? Our correspondent Sergey Golubenkov talks of this with Novgorod Oblast Executive Committee Foreign Economic Associations Department Chief, Viktor Abramovich Bykov.

[Golubenkov] By what route is Novgorod Oblast entering the market?

[Bykov] Novgorodites have declared their oblast a free-enterprise zone. But that does not mean that we will be living apart... We shall adhere to the program of the Russian Government, and will observe the rules of the game which it has established. In the near future we expect a decree from the RSFSR Council of Ministers on the legal status of our zone.

[Golubenkov] In what is Novgorod Oblast rich? Which of its goods will appear on the shelves in the Russian market?

[Bykov] This has always been an agricultural oblast. After the war electronic, radio-engineering and chemical industries were developed. But agriculture nevertheless predominates. This is supported by the low population density; in a 54,000 square-km area there is a total of 750,000 people. The oblast is traditionally known for its flax fibre, but fabric production is in decline. Resurrecting it is a worthy task, and that is where we must invest our money.

[Golubenkov] Consequently, the basic interest is the development of agriculture.

[Bykov] Yes, among other things. Whereas after the war the oblast was oriented primarily toward the defense industry, at present we must focus on production of consumer goods and agricultural equipment on the basis of conversion.

[Golubenkov] Are swords being beaten into plowshares successfully? Just what has been accomplished?

[Bykov] Alas, we have nothing to boast about. New production requires additional expenditures. The ministries do not want to loosen their purse-strings, nor is there any money in the local budget.

[Golubenkov] Is it possible to attract money from outside? Where would you recommend that western businessmen invest their money in Novgorod Oblast?

[Bykov] A priority direction is—tourism. Perhaps the first tourist was Aleksandr Radishchev [1749-1802, author of "Travels from Petersburg to Moscow"]. Just as in times past, the route from Petersburg to Moscow crosses all of Novgorod Oblast. Indisputably, in addition to the Russian ruins that are familiar to us, there is

something to see. However, the historic environment and many of the monuments, both in the city of Novgorod and in the Oblast, require major restoration and reconstruction work.

The Oblast receives half-a-million tourists per year, [including] 200,000 foreigners and 60,000 with hard currency. This is where one could invest his money. According to information from the RSFSR Ministry of Culture, there are 2,308 historical and cultural monuments in the oblast which are maintained by the state, of which 72 are monuments of national significance, 262 are of republic significance, and 1,972 are of local significance. Of that number, 64 percent of the monuments are archaeological, 21 percent historical, and 15 percent architectural.

The overall amount of capital investments needed for development of tourism along the lines of all interested organizations, taking into consideration accompanying expenditures for the period through the year 2005, is an estimated 330 million rubles, including on the order of 180 million rubles up to 1995.

Expenditures for developing tourism in the city of Novgorod and its suburban zones should amount to about 200 million rubles up to the year 2005, including 160 million by the year 1995.

Developing tourism in the city of Novgorod and the Oblast, within the planned parameters and draft decisions, will make it possible to significantly expand the overall volume of income from tourism: from 10 million rubles a year at the present time to about 65 million rubles by 1995, and up to 130 million rubles a year by 2005; this includes income from services to foreign tourists from 1.7 million rubles a year to 48 million rubles per year. At the same time profits will increase from 1.4 million rubles a year at the present time to about 25 million rubles per year by the year 2005. It is envisaged that a significant portion of the profits—about 30 percent—will go to the local budget, which will amount in sum to about 60 million rubles by the year 2005, not counting currency receipts.

Within the framework of the tourism development program we are already building a 415-guest hotel jointly with the Austrians. But there are more projects than there is money. There are no construction capacities in the oblast, and the building materials base is undeveloped.

[Golubenkov] Will the existing branches of industry in the oblast be developed further?

[Bykov] The program envisages expanding production of video equipment. It is possible that in a few years the Spektr factory will be producing 500,000 video cassette recorders a year. We hope that contracts with the South Korean firm, SAMSUNG, will reflect on the quality of our video equipment. We started out with little. They will be sending us assembled components, and our task will be to assemble them according to their technology.

[Golubenkov] In your plans you are counting on the cooperation of foreign firms. But are foreign entrepreneurs showing any interest or are they just looking?

[Bykov] We have received many proposals from the Germans. But not one project has yet been realized in practicality. It's true, the German city of Bielfeldt, a twin-city with Novgorod, has sent printing equipment. We are beginning to publish quality advertising literature.

Four joint enterprises are in operation, and not on paper, as often happens: a Soviet-Finnish enterprise has been producing plywood since last November; a Soviet-Austrian one is building a hotel; a joint enterprise with the firm, Rodika, has already provided the first output of fashionable clothing. The personnel are ours; the technology, material and accessories are Austrian. The cost is acceptable, although the quality is not as good as the "proprietary" things. The people are just learning to work. And there is SP—a Soviet-Polish enterprise, which is producing a new series of "Sadko" TV sets. Incidentally, the Novgorod free enterprise zone will also be called "Sadko," in honor of the merchant who founded trade on this soil. I hope the time will come when it revives.

Free Enterprise Zone Draft Law

91UN2606B Moscow DELOVOY MIR in Russian
6 Jul 91 p 2

[Text of Draft Law: "Statute on the Novgorod Oblast Free Enterprise Zone"]

[Text] 1. The present Statute defines the legal basis for economic activity in the free enterprise zone [zona svobodnoy predprinimatelstva] in Novgorod Oblast, henceforth known as the Novgorod Oblast ZSP.

2. The goals for the creation of the Novgorod Oblast ZSP are the creation of an economic mechanism oriented toward saturating the domestic market with food, high-quality goods and services, developing domestic and foreign tourism, expanding export potential, raising the standard of living of the populace, elevating culture, and restoring the ecological health of Novgorod Oblast.

3. The territory of the Novgorod Oblast ZSP shall be situated within the administrative boundaries of Novgorod Oblast.

4. The laws of the USSR, RSFSR and the present Statute shall operate within the Novgorod Oblast ZSP.

5. In accordance with the decree of the RSFSR Council of Ministers, within the Novgorod Oblast ZSP:

—an advantageous tax and customs rate shall be in effect, and a simplified procedure for carrying out export-import operations;

—foreign investments on the territory of the Novgorod Oblast ZSP shall enjoy legal protection, and their rate

shall be no less favorable than the corresponding rate established for the property and property rights of juridical persons and citizens of the RSFSR;

—discrimination of any sort against enterprises with foreign investments, with respect to any other enterprise operating in the RSFSR, is forbidden;

—no unlawful measures may be taken for forced confiscation of foreign investments, such as nationalization, requisition, confiscation and other measures with similar consequences; nor shall sequestration of investment property be permitted, with the exception of temporarily suspending the right to export until such investor shall discharge his responsibilities. Forced confiscation may be implemented only by decision of the court under conditions of payment of compensation, the amounts of which must coincide with the actual value of the confiscated investments, which is to be determined as of the actual moment that the actual or impending measures for forced confiscation became known. Compensation shall be carried out in the currency in which these investments were made.

6. Foreign investors may make investments on the territory of the Novgorod Oblast ZSP by means of:

—shared participation in enterprises organized jointly with Soviet juridical persons and citizens;

—creating enterprises and their branches, belonging totally to the foreign investors;

—acquiring property, stocks and other securities;

—acquiring the right to the use of land on the basis of agreements on long-term lease for a period of up to 70 years, and also other property rights.

7. Re-examination of leasing agreements with foreign investors for the use of land and other natural resources. Buildings, structures, equipment, industrial and other enterprises, shall be permitted only with the mutual consent of the signatories to these agreements, or their legal successors.

8. Foreign investors operating in the Novgorod Oblast ZSP shall be guaranteed transfer abroad, upon discharge of existing tax obligations, of the amount of foreign currency which they have received in the form of profits; and also receipts in connection with the sale of all or part of their share in the statutory fund of an enterprise with foreign investments, withdrawal from it or liquidation of the enterprise.

9. For purposes of transferring sums abroad from one's accounts calculated in rubles, foreign investors operating in the Novgorod Oblast ZSP may acquire foreign currency at the rate which evolves within the framework of the forms of purchase and sale of currency for rubles (auctions, exchange trading and other forms) sanctioned in the Novgorod Oblast ZSP.

10. In cases in which foreign investors are attracted to the Novgorod Oblast ZSP for production of products which may be exchanged for imports, the transfer of the ruble portion of the profits due to the foreign investor may be accomplished at a mutually-agreed rate at the expense of the currency assets of the interested sides.

11. Licensing and quota-setting for goods produced on the territory of the Novgorod Oblast ZSP shall be carried out by the Novgorod Oblast Executive Committee according to a list coordinated with the RSFSR Council of Ministers. A commodity shall be considered produced in the zone if the amount of its added value amounts to no less than 30 percent. The import of goods and services to the Novgorod Oblast ZSP shall be free from quotas and licensing, except for goods (services) the import of which is accomplished in accordance with special rules and inter-governmental agreements.

12. A special customs rate shall be in effect on the territory of the Novgorod Oblast ZSP, which envisages:

—in the event of export of goods and other property from the territory of the Novgorod Oblast ZSP to other regions of the RSFSR, customs duties shall be exacted only on that part of the goods and property which is of foreign origin, and shall be established in accordance with the rules for determining the country of origin;

—goods and other property shipped into the territory of the Novgorod Oblast ZSP, and also those shipped out of this territory, shall be subject to mandatory declaration. The transfer or resale of goods not subjected to processing in the zone through the territory of the Novgorod Oblast ZSP into other regions of the RSFSR, and also the supplying of goods for export from other regions of the RSFSR, shall be accomplished without any tariff or customs advantages whatsoever.

13. For enterprises with foreign investment situated on the territory of the Novgorod Oblast ZSP, the following taxes and tax advantages shall apply to that share of foreign participation in the statutory fund of which comprises more than 30 percent:

—complete exemption from paying taxes on profits for five years after receipt of the declared profits;

—tax on profits transferred to higher-level budgets—7.0 percent; local tax on profits transferred to the budget of local Soviets—8.0 percent;

—tax on that portion of profits sent abroad or transferred to state budgets—seven percent; local tax on that portion of the profits sent abroad, transferred to the budgets of local Soviets—not over 8.0 percent;

—that portion of the profits reinvested on the territory of the Novgorod Oblast ZSP for purposes of developing the social sphere, organization of infrastructure projects in the zone and environmental protection measures, shall be exempt from taxation—including

enterprises without foreign investments and enterprises with foreign investments, the share of the foreign partner in the statutory fund of which amounts to less than 30 percent.

14. Enterprises and organizations situated in the Novgorod Oblast ZSP shall be exempt from taxes on export and import, and from taxes regulating the expenditure of assets directed toward consumption.

15. Turnover tax on groups of commodities imported, produced and consumed in the Novgorod Oblast ZSP shall be completely transferred to the budget of the local Soviets.

16. A special fund shall be established in the Novgorod Oblast ZSP for the purpose of stabilizing the commodity market, for resolving questions of material-technical supply for unprotected consumers, and also for supporting the normal functioning of the water and sewage system of the city and municipal facilities, and for health-care, educational and cultural institutions.

17. During the period 1991-1995, the principal source for organizing the stabilization of the commodity market shall be the products acquired by the organizations and founders of the fund, by special permission (internal licensing) of the oblast executive committee, at enterprises located in the Novgorod Oblast ZSP.

18. The founders of the stabilization fund shall purchase products at enterprises within the limits of 10 percent of the volume of actual products produced, at state wholesale prices.

19. For products in the commodity market stabilization fund of the Novgorod Oblast ZSP, the RSFSR Ministry of Foreign Economic Associations shall issue a general license to the oblast executive committee for the entire period (1991-1995) for sale on the foreign market, including that within the framework of border and coastal trade.

20. Juridical persons with foreign participation created on the territory of the Novgorod Oblast ZSP shall be subject to registration directly at the Novgorod Executive Committee of the Oblast Soviet of People's Deputies.

21. Assets for the development of the zone may also be supplemented at the expense of the release of zonal obligations, credits, voluntary contributions of citizens and organizations, conducting lotteries, payment for services of local organs of power rendered by organizations and enterprises, rental payments and other receipts.

22. Labor relations, including questions of hiring and firing, work and vacation conditions, social guarantees and compensation of Soviet citizens working in the enterprises of the Novgorod Oblast ZSP, shall be regulated by collective bargaining (agreement) and labor agreements (contracts). Conditions and amounts of wages, as well as other forms of income for workers, shall

be established by enterprises and organizations independently by means of their own assets.

Questions of wage payment, granting of vacations, and pension guarantees for foreign workers of enterprises with foreign investors must be resolved in labor agreements (contracts) with each of them. These workers may send abroad the wages they receive in foreign currency without hindrance.

23. Economic disputes, including those between participants in enterprises with foreign investment situated in the Novgorod Oblast ZSP, may be examined, with the consent of the parties, in arbitration established in the zone or in any other international court of arbitration; and if agreement is lacking—in the Novgorod Court.

Climate Poor for Foreign Investment

91UN2551A Moscow DELOVOY MIR in Russian
No 173-174, 3 Aug 91 p 12

[Interview with Sergey Sergeyevich Tsyplakov, sector chief, RSFSR Supreme Soviet Committee on International Affairs and Foreign Economic Relations, by correspondents Sergey Golubenkov and Oleg Shcherbakov: "Still No Climate for Foreign Investments"]

[Text] The Russian Law on Foreign Investment was passed (the text of the law may be read in DELOVOY MIR No 161-162), but, in the opinion of its main developer, Sergey Tsyplakov, sector chief, RSFSR Supreme Soviet Committee on International Affairs and Foreign Economic Relations, the investment climate in the country is still unfavorable. In the near future, it is necessary at the very least to pass laws on exchanges and exchange transactions, on concessions, and on joint-stock societies. We must develop a market infrastructure and cooperate extensively with small businesses in the West.

Sergey Sergeyevich has kindly agreed to answer our correspondents' questions.

[Correspondent] In the war of laws, particularly tense battles were waged on the field of foreign economic activity. Does the Russian law on foreign investment contradict the Union law?

[Tsyplakov] In drafting the Law, we tried to overcome the conflict of interests between the Union and the republic. The experts who drafted the Union law knew what we are doing, and we were on the track of their ideas. Thanks to our influence, the progressive Bases were passed, not the severely criticized draft law on direct action. The Bases took our observations into consideration. The special authorization procedure for registering enterprises belonging entirely to foreign investors was removed. An article was also included on the participation of foreign investors in privatization.

In turn, we have tried to avoid confrontation. Consider, for instance, the formulation of Article 5. "Relations, linked to foreign investors in the RSFSR, are regulated

by this Law, as well as by other legislative acts existing within the territory of the RSFSR." By other acts, we mean the laws of the USSR, including the law on currency control and regulation: In all articles where it is a question of currency, it is clearly indicated that this means the currency of the USSR. To a jurist, it is clear from this that Russia is not contradicting the Union; it is in favor of preserving a unified economic space.

Possibly, some contradictions between the Bases and our Law may turn up, but we agree with the principles set forth in the Union document. They grant extensive possibilities for republic legislation.

[Correspondent] How would you evaluate the republic laws on foreign investments?

[Tsyplakov] There are great differences among the republic laws. We are used to saying that the Baltics are in the vanguard of economic development. Yet, if you compare the Lithuanian law and ours, the Russian is far more liberal. For example, the Lithuanian law stipulates a strict authorization system for registration. An investor's desire to invest funds in the economy is not enough: Before registration, he may run up against the rejection of his application for investment by authorized agencies. Such a procedure was not successfully insinuated in Russia.

[Correspondent] To this day, the problems of registering joint enterprises are the most painful for foreign investors. Although nowhere do the Union laws mention an authorization system mentioned, it does in fact exist. It suffices to note the infamous technical and economic substantiation, which is rigorously required for registration. Using this, one may reject anybody one pleases as desired, first on the grounds of inexpediency, then—of low efficiency.

[Tsyplakov] Here the Russian law has carried out a revolution of sorts. We decided to discard the authorization procedure. The permission of the RSFSR Supreme Soviet is required only for large projects with an investment amount above 100 million rubles. The law clearly states the list of documents needed for registration. The technical and economic substantiation is not among them. Let me note that the same documents are required to open a national enterprise under the Law on Enterprises and Entrepreneurial Activity. The only difference is that a foreign investor registers with the RSFSR Ministry of Finances, and our entrepreneurs register with the local soviet. Yet, one simply may be unable to find specialists in local areas. Therefore, Article 16 of the Law sets forth a compromise formula, taking reality into account, which grants the possibility of transferring registration from Minfin to the local level. Incidentally, such a right was also given to the administrations of free economic zones. So that this process continues, we must accomplish a reform of administrative power and raise its authority and competence. For precisely this reason, today foreign investors prefer to register with a solid state agency.

[Correspondent] If it is a question of letting foreign investors use the national system, was it necessary in general to pass this Law?

[Tsyplakov] Indeed, in the European countries, for instance, there are no special laws on foreign investments. The activity of their own and of foreign investors is regulated by the same national legislation. In our country right now, we do not have the same economic situation, in order to use this model. There is also no legal foundation. However, this does not mean that we are starting to write foreign investors' every step into law. This is not only senseless, but also technically unfeasible. That is why the Russian Law is transitional in nature. We hope that in time Parliament will reject it and will fully equalize the rights of our and of foreign investors.

[Correspondent] However, will such "equalization" be to their liking? After all, they do have advantages now. Article 9 of the Bases, for example, guarantees the 10-year application of the legislation that existed at the moment of implementation of foreign investments, even if the subsequent legislation of the Union SSR or republics worsens the investment conditions.

[Tsyplakov] This point was also in the Russian Law, but we rejected it after consulting with American experts. It sounds good at first glance, but a businessman is a realist by nature. He knows that tomorrow new ecological legislation will be passed, but once again they will let him violate the newly established standards. Indeed, he himself will not do this, so as not to lose his reputation. Foreign business, as practice shows, does not strive for any particular privileges. Letting him use the national system is in his interests. Really, how can we offer such guarantees, if we have not only ecological, but also water, forest, and mining legislation. Even our labor legislation no longer conforms to today's requirements. If we do this, complete boundlessness and confusion will begin in our laws.

[Correspondent] How do you explain the differences in the republic laws and the paradoxical situation in which, although in need of foreign investments, some republics are setting up obstacles for investors?

[Tsyplakov] It is hard to give a simple answer. Maybe this is a display of wise restraint. After all, there is not really enough experience. Also, the conditions in the republics are different. Lithuania is the same size as one of our oblasts. This determines mentality. The laws passed in the republics of Central Asia also take into account the level of development, as well as specific national features. However, the main point is that the investment climate does not depend on these laws. Consider, two thirds of all joint enterprises are concentrated in the Russian Federation and, as soon as our Law goes into effect on 1 September, it will also begin to influence the other republics. They have to take its progressive regulations into consideration. This is an objective process, the more so since Russia plans to

attract foreign investments extensively. I agree with Boris Yeltsin, who sees investments not only as material resources, but also as managerial experience, an opportunity to modernize the national economy and its basic capital more effectively, the country's inclusion in the world division of labor, and the increase of our exports.

[Correspondent] Perhaps, the main problem in attracting foreign investments right now is guaranteeing the security of investments. It goes without saying, no law whatsoever can save you from political risk, and as far as economic guarantees are concerned...

[Tsyplakov] These are given in the Law. The guarantees against nationalization and requisitioning can in a certain sense be considered both political, as well as economic. Not all cases in which requisitioning is carried out are stipulated in the Law: they are set forth in the Law on Investment Activity (natural disasters, epidemics, accidents, military actions, etc.).

The unobstructed transport of profits, obtained in hard currency, across the border is also guaranteed for foreign investors. There are also certain guarantees for the use of USSR currency in the territory of Russia. True, we did put some restrictions on the use of rubles for purposes of privatization. If the rubles were obtained as a result of economic activity within the RSFSR or other Union republics, a foreign investor may invest them in privatization without obstruction. It is another matter, if the rubles were obtained as a result of the exchange of currency at the market rate. It is prohibited to use such moneys to purchase fixed assets and stocks. Thus, we are protecting the interests of our enterprises and our own investors. The exchange of 1,000 dollars for 32,000 rubles does not reflect reality; it is speculative. This is the exchange rate for a computer or a pack of Marlboros. Buy anything you want at the USSR Gosbank exchange rate, but not at the market rate.

[Correspondent] However, if the investor converted currency into rubles and acquired nothing for them, or acquired very little, what does he do with the rest? Are the legal guarantees backed by real, economic guarantees?

[Tsyplakov] Of course, foreign investors have the right to reconvert the unspent remainder from their USSR Gosbank accounts into the currency in which the initial deposits were made, at the same rate of exchange. The Law guarantees this, but it is, unquestionably, not enough to ensure the effective activity of foreign capital.

Above all, we must pass a whole series of legislative acts, so that the Law on Foreign Investment will function in full force. Since all enterprises with foreign capital, to avoid numerous conflicts among partners, will be created in the form of joint-stock societies, a law on these is needed. Russia also has no Civil Code.

It is also time to pass a law on concessions. These were popular in the 1920s, but were entirely forgotten later. For the time being, the Russian Law only revives this

concept (Article 40) and reinforces certain basic provisions. For instance, the time period of a concession agreement is no more than 50 years, and unilateral changes in the terms are prohibited. Until this law is passed, all concession agreements are subject to approval by the RSFSR Supreme Soviet. True, work on its draft has already been started. Material is being gathered and the legislation of Norway, Great Britain, Brazil, and the Republic of South Africa—countries where this legal form has received special development—is being studied. It will be ready sometime in mid-autumn.

The passing of all these laws to a certain extent will fill the breach in investment legislation and will strengthen the legal guarantees. Besides them, however, economic and political realities exist, on which the dynamic of social development and, consequently, the prosperity of foreign investments depend in many ways. This may sound paradoxical, but I think that back in 1985 we would have been able to repeat the experience of China and turn our country into one of the most prosperous states in five to six years. Today this opportunity has been lost. Moreover, we are robbing our heavy industry with empty talk about a market and with careless inactivity. This means, for instance, that in the absence of a market infrastructure and a normal exchange, the price per ton of coal on the foreign market is 20-22 dollars, while the domestic price is 35 rubles. Multiply 20 by 30—the approximate exchange rate for the dollar on the black market—and you get 600. Yet, a ton of coal on the exchange costs somewhere around 400 rubles. Such prices restrain metallurgy and machine-building and are creating unemployment. If we go further into the market this way, we will end up with nothing, neither foreign investments, nor our own. There will be an economic desert. We must not disrupt the old system, sliding into backwards development, yet at the same time we must restructure it into a new system.

[Correspondent] In such a complex economic situation, it is important to route foreign investments onto the necessary track. Have we formulated our own investment policy?

[Tsyplakov] Alas, there is no clarity in peoples' thinking, and opinions are going into extremes. Our legal orthodoxy is frightened: First you pass a law, you open the border, and then capitalists come running, buy up everything, and life becomes quite bad. The left-wing orthodoxy has other views: It is good that the Law opens a path for hard currency billions: They will immediately improve our life and shatter the decaying communist system. Yet both the one and the other are equally far from the truth. Yes, the Law will go into effect soon. However, nobody will come running to us with money. We must fight for investments. Dollars, pounds, marks, and yen feel far more comfortable in the restructuring countries of Eastern Europe. They are outstripping us in terms of development, in terms of the reality of reforms, skill of the work force, the transportation network, etc. A good investment market is also forming in Latin America, where prospects are opening up for political

stability. The region of Southeast Asia—China, Taiwan, and South Korea—absorbs investments like a sponge. All these are our competitors. We must struggle against them, and we are not used to this. Moreover, we must consider that investments also go from one industrially developed country to another—from Japan to the U.S., and from the U.S. to Europe and Japan. We have a great deal of work to do in order to attract foreign capital. The Law is just the first step in creating a normal investment climate.

[Correspondent] What specific paths do you see to this?

[Tsyplakov] We must create state investment companies which will become partners and intermediaries for the foreign investor in the search for the most expedient, high-priority projects. These have performed well in South Korea, Taiwan, and China.

We should determine the priority sectors, into which to attract capital, science-intensive production above all, of course.

For the time being, there is no clear regional policy. The priority regions for foreign investments have not been singled out. We must add new forms—open regions, open cities—to the already-existing free economic zones, the creation of which, to be blunt, is economically unjustified. We must also not offend individual enterprises: Let them freely enter into contacts with foreign companies.

Foreign trade is necessary in the investment concept. Toward what should we direct foreign capital? In China and South Korea, it was oriented toward export. We have our own specific features and scale. Sakhalin and Nakhodka, for instance, might be oriented toward export, and some of the central rayons—toward the domestic market. In drafting a regional policy, the oblasts and rayons should be given great rights, so that specialists do not run to the free economic zones, so that development will occur comprehensively and relatively equally. However, all investment problems reduce to one, main problem: the non-convertibility of the ruble. Paradoxical though this may seem, the attraction of foreign capital will play an important role in solving it.

[Correspondent] One last question: What do you see as the strong and weak points of the newly passed Law?

[Tsyplakov] Its strongest point is Article 6, which establishes the national system of registration for investors. Also, there is Article 10 on the transport of profits and Article 11, guaranteeing the use of payments in USSR currency.

The Law is really of good quality, and its weak sides do not lie within it itself, but in its application. Say, for instance, that three months, and then half a year goes by, and still there are no investments. Then you will find people in the Supreme Soviet who will say that the Law

is to blame. Once more, they will start looking for the root of evil in good beginnings. True, there are increasingly fewer such.

I would like to put in a good word about Sergey Marinich and Mark Boguslavskiy, experts at the USSR Academy of Sciences Institute of the State and Law, who put their hearts into this law.

Creation of International Development Organization Viewed

*91UF1044A Moscow RABOCHAYA TRIBUNA
in Russian 6 Aug 91 p 3*

[Interview with the first deputy chairman of the USSR Chamber of Commerce and Industry Presidium, Yu. Znamenskiy, by RABOCHAYA TRIBUNA correspondent I. Titov: "Rely on the Seven, But Do Not Fail Yourself: Preparation of an Effective Mechanism for Interaction of the Soviet Economy with the World Economy Is Underway"; date and place of interview not given]

[Text] Several days ago, at the CEMA building in Moscow, a founding conference was held of initiators of the establishment of the International Economic Development Organization (IEDO) [MOER]. Our correspondent, I. Titov, has discussed the purposes and ideas of its creation with one of the "fathers" of the new organization—First Deputy Chairman Yu. Znamenskiy of the USSR Chamber of Commerce and Industry Presidium.

[Titov] Yuriy Aleksandrovich, tell us please in two words about the concept behind the new international organization.

[Znamenskiy] Briefly, its basic aim is to guarantee that a foreign businessman, investing his capital within the territory of the Soviet Union, will under any circumstances receive and export the planned profits...

[Titov] How will the IEDO be able to give such guarantees? How will everything look, in concrete terms?

[Znamenskiy] Within the framework of the IEDO, we will establish a joint enterprise. A global joint enterprise, in which all the members of the organization will participate, including the foreign partners.

Suppose that some foreign firm wants to produce footwear in the USSR. Let us say hypothetically that one million dollars is needed to carry out the project. The firm deposits this amount in the bank (that is being established within structure of the IEDO) for subsequent investment in the business. Added to this amount, it transfers 20 percent to the bank, that is 200,000 dollars. They remain in the bank's accounts, forming, together with the deposits of other participants in the joint enterprise [SP], a reserve fund. If, for some reason or another, the new production does not provide the expected profits during its first years, then the losses will be compensated from this reserve fund.

[Titov] What you are talking about reminds me of the idea of creating a Soviet Bank for Reconstruction and Development, which was suggested by experts in London. They consider that specifically a new Soviet bank, and not a foreign one, should insure Western business against economic risk.

[Znamenskiy] I agree that these ideas have something in common. But the IEDO is not only a bank. It will comprehensively solve other problems as well—providing production with raw materials, energy resources, a work force, a transformation net, etc. It will have, for example, its own commodity and raw materials exchange [birzha].

[Titov] Exchange? We have so many different exchanges even now—more than in the United States. Why these?

[Znamenskiy] It is our premise that a commodity and raw materials exchange will ensure the convertibility of the ruble within the framework of our organization. The mechanism is as follows. The governments of the Union and of the republics will assign us quotas for the export of raw material resources—for goods that are produced in our joint enterprise and are sold to the state at prices considerably lower than the world average. If the firms that belong to the IEDO sell their “hard currency” commodity on the exchange for rubles, they will be guaranteed a possibility of using the rubles to acquire raw materials, which can easily be converted into hard currency. Such a form is beneficial both to us and to the state.

[Titov] And on what do you base your confidence that foreign businessmen will agree to deposit an additional 20 percent of the value of a contract in a reserve fund? Is it not cheaper for them to insure investments in the USSR with the export-import banks of their own country?

[Znamenskiy] There is talk of that—of course! If they could receive the financial guarantees of their governments, this would be enough. But the problem is precisely that state banks refuse to take the risk. The IEDO will take upon itself the role of an insurer. Moreover, if a firm leaves our joint enterprise, it collects its share of the bank's reserve fund, moreover with interest...

The bundle of telegrams in my desk testifies to fact that many Western businessmen are ready to join the IEDO—from those who are already ready to participate in its creation. Moreover, a number of Western firms are offering what for us is a very favorable plan for financing large projects. Its essence is that the foreign partner invests in one program or another over the course of the first 3-5 years. The next 3-5 years, the Soviet partners act in this role.

[Titov] How will the IEDO structure its relationships with the state?

[Znamenskiy] Exclusively on a contract basis. It is beneficial to the state to purchase the output of our joint

enterprise—if, of course, it corresponds in terms of quality to the goods our country traditionally obtains abroad—40 percent cheaper than average world prices. What is the basis of this discount? Elimination of outlays for advertising, export and import duties, etc. The state may order the production of any types of goods from the IEDO. But, in this case, it will have to make raw material resources available to us from its own funds.

[Titov] Who is participating in creation of the organization from the Soviet side.

[Znamenskiy] The USSR Chamber of Commerce and Industry, the Petropavlovsk Heavy Machine Building Plant, The Alma-Ata Investment Bank, the administration of the free enterprise zone of the city of Kaliningrad, and other enterprises.

[Titov] And from abroad?

[Znamenskiy] The Polish “Bamet” firm, the Czech “Tatra,” an association in Romania, the Italian “Bertucci” concern... This is only the beginning. On 10 September we are conducting a presentation and at the same time are inviting a large number of Soviet and foreign enterprises, which on this same day will be entering into an agreement on establishment of this international organization.

South African Companies To Send Aid to USSR

*91UF1131A Moscow IZVESTIYA in Russian 3 Sep 91
Union edition p 4*

[Report from Section for South African Interests of Austrian Embassy in Moscow: “Aid from South Africa”]

[Text] According to a South African announcement, four large companies—Revlon, Pick and Pay, Premier Group, and Group V—have decided to offer the Soviet people aid in the form of food and medicine. The goods, worth 70,000 rands (approximately 700,000 rubles), will be shipped to the USSR on a chartered Il-76 plane, which will return from Capetown to the USSR after flights to the Antarctic.

RSFSR Trade Prospects With East Europe Considered

*91UF1118A Moscow ROSSIYSKAYA GAZETA
in Russian 30 Aug 91 p 3*

[Article by Sergei Semendyayev: “The First Step is Always the Hardest”]

[Text] Foreign trade is a very precise indicator of the general state of the economy in any state. The structure and volume of export-import can say a lot more about the state of affairs in the economic sector than can sorry annual reports put out by bureaucrat-statisticians. It goes without saying that the Soviet Union, where the export of raw materials and primary goods has been fostered for decades, is no exception in this regard. As it turned out, it was not so easy to alter the established flow of goods,

and increase the share of goods in export being produced by the manufacturing industry. The first step toward reforming foreign trade was the decentralization of this sector: Individual enterprises and union republics became subjects of foreign economic ties. Enterprises were not slow to take advantage of the opportunity presented them, and moved quickly to assimilate into the foreign market through a process of trial and error. The republics acted with more circumspection. In fact, it was only just recently that the first reports appeared about signed government-level trade agreements.

The latter refers to intergovernmental protocols, signed at the end of last year by leaders of the RSFSR on one hand, and Hungary and Czechoslovakia on the other. However, it was only after another six months had passed, in the June-July time frame, before joint committees were able to impart any real substance to these protocols. Such a delay can be explained by the need to resolve many issues connected with the transition to a freely convertible currency for mutual settlement, and with the goods specified in the signed agreements. However, the initial barriers are now behind them. In accordance with their own needs, both parties prepared lists indicating the reciprocal deliveries to take place during the present year. The volume of proposed deals between Russia and Hungary amount to more than 1.2 billion dollars, and between Russia and Czechoslovakia, approximately 600 million dollars, plus a delivery of foodstuffs from the CSFR on a barter basis worth 520 million dollars. It is interesting that the volume of similar agreements between the USSR and Hungary, and the USSR and Czechoslovakia equals 3.8 billion dollars and 3.5 billion dollars, respectively. Both of the agreements made by Russia are distinguished by the fact that a significant number of the deliveries to the republic indicated on the lists are for food and consumer goods.

What exactly is Russia able to offer its Eastern European partners? After all, no surplus of goods resulting from reductions in trade with the Soviet Union has been observed on this side of the state border. A ROSSIYSKAYA GAZETA correspondent was informed at the "Roskomagentstvo" [the Russian Commerce Agency] that is charged with fulfilling the agreement made with Hungary, that the Russian deliveries will be made on account of goods produced by enterprises above the state order. Recent information indicates that all of the promised goods are on hand, and that there are no apparent obstacles preventing the conclusion of the contracts. Nonferrous metals, petroleum products, coal, coke, timber, building materials, and the like are going to Hungarian and Czechoslovakian destinations. As we can see, at present the cessation of raw material export has not yet been achieved, but, the first step is always the hardest.

According to a trade advisor of the Hungarian trade mission to the USSR, Paul Syuch, trade with Russia will not be conducted on a clearing basis, but rather with settlements being made in US dollars or another freely convertible currency. In addition, the terms for realizing

barter deals will be determined by an interbank agreement. The banks will account for the deliveries, and after a period of time specified in the contracts, the difference will be made up either in cash or with additional deliveries of goods. The process of drawing up the contracts has not yet begun, reported Mr. Syuch, and at the present time it is difficult to say whether the signed agreements will be completely fulfilled. However, in his opinion, it shouldn't fail, as both parties are still very interested in effecting reciprocal deliveries.

A somewhat different situation has taken shape between Russia and Czechoslovakia. A Czechoslovakian trade representative to the USSR, Yan Makhay, reported during an interview with ROSSIYSKAYA GAZETA, that in addition to settlements being made in a freely convertible currency, barter exchange will also be permitted by mutual agreement. He also said that active negotiations are under way for effecting payment between parties in national currencies. Of course, it will be difficult to establish the real rate of exchange for rubles to crowns, but obviously, it will be determined through the American dollar. In Mr. Makhay's opinion, national currencies will free the hands of many enterprises for cooperative efforts, albeit on a bilateral basis. According to information reported by the Czechoslovakian trade mission, the conclusion of deals based on an agreement between our republics is actively underway. For example, an agreement was already signed worth 80 million dollars with the Komi ASSR in exchange for Czechoslovakian foodstuffs. Negotiations are also underway with oblasts located in the Ural and Siberian regions of the RSFSR.

In regard to further relations between republics, both trade missions unequivocally spoke in favor of their development. Negotiations concerning the conclusion of a trade agreement for 1992 will begin as early as September.

Prospects for Japanese Aid Assessed

91UF1141A Moscow KOMSOMOLSKAYA PRAVDA
in Russian 4 Sep 91 p 3

[Article by N. Tsvetkov, personal correspondent (Tokyo): "Can the Japanese Rivers of Milk Also Be Diverted to the North?"]

[Text] Now that the dust that was raised by the military equipment on the streets of Moscow has settled, and now that the news of the economic situation in our country sounds like the faltering heartbeat of a hopelessly ill person to the Japanese public, it is asking: "To aid or not to aid?" Everyone does realize that the question has the same implications for us as Hamlet's "To be or not to be?" Attitudes toward the problem, however, differ: ranging from passionate appeals to open the coffers without delay to the classic assumption that "one good turn deserves another."

The first attitude reflects the mood of the part of the public and press that sympathized with our democratic

aspirations, admired the courage of the defenders of the "White House," and contributed to the "Yeltsin boom." The second point of view is held, regrettably, by the people who have the power to make decisions, particularly crucial decisions of this kind. Of course, even here there is no shortage of expressions of support for the anti-totalitarian tendencies in the USSR and of best wishes for the future. Judging by current reports, however, both the government and the leaders of the ruling party are now less preoccupied with the preparations for radical changes in Japanese policy toward the Soviet Union than with the discussion of the arguments against this.

If we try to categorize these arguments, they seem to fall into three groups. The first could be called "intra-Soviet." To whom should the aid be sent? Who is the master of the Soviet house? Is there one?

The second category consists of arguments of a bilateral nature. First of all, there is the absence of a peace treaty, which the Japanese do not intend to sign until our side promises to return the southern Kuril Islands to Japan. Without this, Japan will not deviate from the "indivisibility of politics and economics." The Japanese do not know how much the current political changes in Moscow will affect our approach to the territorial issue, but I remember one of the remarks that was made when the so-called State Committee for the State of Emergency was formed: "Yanayev has come to Japan 11 times. He knows something about our problems...."

On the other hand, the objective interest the overwhelming majority of Japanese firms have expressed in developing business contacts with us is an equally important factor. After all, we have not paid off all of our debts, and we have almost nothing of genuine appeal to offer in exchange. Business is not philanthropy, and even if the government should want to, it would have difficulty forcing businessmen to act against their own interests.

Finally, there are arguments that might be described as global. These are connected with Japan's international obligations, both to its partners in the "club" of leading industrial nations and to its poor neighbors in the region. The Ministry of Finance has frankly admitted that there is simply no money in the treasury. After all, Japan had to "put out" over 10 billion dollars just for the war in the Persian Gulf. It regularly sends aid to such countries as Bangladesh, the Philippines, and others. Furthermore, according to the common parameters, people in the USSR have a better life than people in the poorest Asian and African states, no matter how much we might complain.

So, what do we have left? We have hope. We have the hope that we will be able to eliminate, or at least minimize, the obstacles that depend on us. Furthermore, this must be done with all of the obstacles as a group, and not just one of them. The settlement of political disputes will produce nothing or almost nothing unless a solid

economic foundation is laid for future Japanese-Soviet relations. In the near future, we can hope that the Western community will stretch out a helping hand. If this should happen, Japan will naturally have to fall in step with its partners.

At this time, however, the Japanese are still deliberating. This is understandable: There is still reason for suspicion. We have to be grateful for their willingness to give us humanitarian and technical aid, especially now that they are planning to double the latter.

Cancellation of International Book Fair Viewed

*91UF1131B Moscow IZVESTIYA in Russian 31 Aug 91
Union edition p 4*

[Article by M. Lebedeva: "The International Book Fair Was Cancelled at the Last Minute"]

[Text] **The 8th Moscow International Book Fair, which was supposed to be part of the All-Union Exhibit of National Economic Achievements of the USSR from 3 to 9 September, has been cancelled. This decision was made on 27 August by the fair organizing committee, headed by M. Nenashev, "in connection with the political and economic situation."**

Some 1,500 firms from 40 countries and 14 republics had declared a wish to take part in the fair. The organizing costs of the Soviet side now amount to around 4 million rubles. Losses in hard currency alone could reach as high as 200,000 dollars because half of the participants and exhibits have already arrived in Moscow.

The decision evoked vehement objections from participants. The decision was opposed by a group from the General Directorate.

We asked the organizers of the fair for an explanation.

According to M. Nenashev, the commercial effectiveness of the fair could not be guaranteed in the present situation.

"We have no hard currency to buy exhibits. We still have not paid off our debts from earlier fairs. Besides this, there is no government structure in the country to serve as the guarantor of this kind of undertaking. The decision to hold the fair was made by the union government, but where is it now?"

The minister said that firms would be reimbursed for their losses.

The RSFSR Ministry of the Press and Public Information supported the union agency's decision.

"Book exhibits and fairs have never been profitable," said First Deputy Minister S. Rodionov. "They were always more political in nature. Now the country does not have any books that might be of serious interest to dealers."

Rodionov also said that the organizers would not have been able to give participants in the fair enough attention because of the upcoming special Congress of People's Deputies of the USSR.

"Today our debts amount to 18 million rubles at the commercial rate of exchange," Mezhniga Director S. Ostapishin said.

Ostapishin suggested that the cancellation of the fair was a way for the organizers to avoid an unpleasant encounter with their creditors.

As A. Lepeshov, the head of the General Directorate of International Book Fairs, said:

"Cancelling a fair a few days before it opens is an international scandal. As soon as the committee's decision was announced, we were inundated with questions and complaints from our partners. They asked what the references to the political situation meant. The international community had just breathed a sigh of relief along with our country because the coup d'etat had failed. Democracy had triumphed. Now there were new references to the 'political situation.'"

A spokesman from the French Embassy called the decision an act of sabotage. The same description was used in a telephone call from Italy by a representative of the Inter-Expo firm, with which the General Directorate had just signed an agreement on cooperation. There were

surprised reactions from the embassies of Great Britain, Argentina, and Spain and from firms and organizations: Macmillan, Harcourt Brace Jovanovich, Amnesty International, Panalpina, and Volk und Welt. The list could be continued.

In view of the financial losses and the damage to our reputation, the General Directorate of the fair asked Yeltsin and Silayev to rescind the union agency's decision.

The editors received additional information when this edition was being prepared for publication. As Deputy General Director Oleg Bezrodnyy of the General Directorate of International Book Fairs told us, Nenashev's deputy minister, A. Seregin, called the General Directorate on Thursday, 27 August, and said that B. Yeltsin was not in favor of holding the book fair. Seregin also demanded letters of explanation from the people who had signed the appeal to Yeltsin and Silayev.

When we contacted Pavel Voshchanov, B. Yeltsin's press secretary, he told us that neither he nor Viktor Ilyushin, the head of the secretariat, knew anything about the president's opinion. Furthermore, Yeltsin had not been in Moscow on Thursday.

Meanwhile, book fair participants who had already arrived were protesting the decision and refusing to enter into any kind of business deals with Mezhniga. This is what the French and German representatives did.

Further on U.S. WWII MIA's in USSR

91UF1157A Moscow NEZAVISIMAYA GAZETA
in Russian 15 Aug 91 p 4

[Article by Vladimir Galitskiy: "All of the Americans Have Been Repatriated to Their Homeland: That Is a Soviet Military Historian's Conclusion"]

[Text] The topic of the disappearance of 20,000 American prisoners of war who were liberated from Nazi camps by Soviet troops in 1945 continues to remain at the center of attention of U.S. society and the press. A subcommittee has been formed in Congress that has been allotted the right to summon witnesses to give testimony who held high state positions in the past and to request any documents from secret CIA and Pentagon dossiers. According to information from a source close to the White House, President Bush touched upon the issue of the missing Americans during the Moscow Summit.

Today, NG [NEZAVISIMAYA GAZETA] gives the floor to candidate of juridical sciences Captain 1st Rank V. Galitskiy, who has spent 15 years studying the problem of POWs in the Soviet archives.

The Inquiry

Altogether, Soviet troops liberated 1,021,455 foreign citizens from Fascist captivity of which, according to official data, 1,016,588 people of more than 33 nationalities were repatriated to their homelands, including 22,481 U.S. citizens. Among the indicated number of Americans were 22,429 American prisoners of war and the remaining 52 were within the category of internees. All of the American prisoners of war and internees were repatriated during the period of 1945-1947 (22,449 people were repatriated in 1945, 22 people in 1946, and 10 people in 1947).

Repatriation was carried out with the direct participation and monitoring of U.S. representatives who had specially arrived on the territory of the USSR. Initially General Dean, a representative of the U.S. Military Mission to the USSR, was involved with this issue and a group of 10 American officers headed by Colonel Crockett arrived to assist him on March 27, 1945. This group left the USSR on June 18. A total of 20 American officers were involved with the repatriation of American citizens who had been liberated from Fascist captivity by Soviet troops.

At that time, the USSR and the United States enjoyed not simply relations as allies but also friendly relations and simply warm relations at the level of the direct executors of this important mission. All of the information about the liberation of American citizens has been transferred to the American side without holding anything back. The insignificant organizational mix-ups that occurred were resolved locally without red tape.

Archival documents attest to the fact that the Soviet State expended 253,099,590 rubles to repatriate foreign

citizens who had been liberated from German concentration camps by Soviet troops, including for the repatriation of Americans—R5,580,492 (R3,559,100 for food, R375,669 for clothing, R723,824 for transportation, R921,639 for maintenance, and R260 for pocket money). The Soviet State's expenditures for the repatriation of American citizens were offset by U.S. expenditures for the repatriation of Soviet citizens liberated from Fascist captivity by American troops, based on a February 11, 1945 mutual repatriation agreement.

The repatriation of American citizens was carried out during the period of the Great Patriotic War (most intensively from March 7, 1945) through Odessa and Murmansk. Prior to their departure for their homeland, American prisoners of war and internees, like all the rest of the foreign citizens, were temporarily kept in transit camps and at assembly points. All types of allowances and medical treatment were equivalent to what Red Army servicemen received. The maintenance regime was simplified and friendly. Considering that the journey home through Odessa and Murmansk was very long, an agreement on repatriation of foreign citizens through troop lines was reached in May 1945 (based on negotiations at Halla between the Commander-in-Chief of the Allied Expeditionary Forces and the Supreme Commander of the Red Army. Reception and transfer points with a throughput capacity of up to 5,000 people per day were organized on the troop lines. Furthermore, after the end of the war with Japan, the Soviet State sent to the United States, Great Britain, and Holland 2,100 citizens of these countries who were liberated from Japanese captivity by Soviet troops (unfortunately, we still have not been able to establish the precise number of U.S. citizens).

We must stress that a significant portion of the foreign citizens who were liberated from Fascist captivity by Soviet troops were independently transferred to the Allied states by Soviet front commanders without completing any documents whatsoever. So, the 2nd Belorussian Front commander transferred 12,000 repatriates to the American forces commander during the course of just one day in 1945. The repatriates were transported from the jurisdiction of Soviet troops in American aircraft without completion of the appropriate documents. The classification of this number of individuals by national or state affiliation was not conducted and it is already impossible to do this at the present time.

The procedures for the assembly, accounting, billeting, maintenance, and repatriation of foreign citizens who had been liberated from German or Japanese captivity (including Americans) had a precise legal basis. All of these issues were under the constant control of the Soviet government. The primary legal documents, according to which all issues associated with the maintenance and repatriation of American prisoners of war and internees liberated by Soviet troops from German or Japanese captivity were resolved, were: USSR SNK [Council of People's Commissars] Resolution No. 31-13s, dated January 6, 1945, on the procedures for the repatriation of

Allied prisoners of war and interned citizens who have been liberated by the Red Army, the Red Army Chief of Rear Services Directive and the USSR Council of Minister's Authorized Agent on Repatriation Affairs Directive No 1/240645, dated January 18, 1945, on the procedures for organizing the assembly, accounting, billeting, maintenance, material support, and transportation of prisoners of war and citizens of the Allied states who had been liberated by the Red Army; USSR SNK Resolution No. 1474-335s, dated June 26, 1945, on payment of pocket money to Allied servicemen and interned citizens who had been liberated by the Red Army.

The maintenance of American prisoners of war and internees was normal (for that time). The food was the same as that of the Red Army troops and sometimes even better. There were no complaints whatsoever by the official U.S. representatives to the Soviet State or to its organs.

Such is the truth in general terms about the fate of American prisoners of war and internees who were liberated from German or Japanese captivity by Soviet troops.

P.S.

However, it seems to us that the problem has hardly been exhausted. From V. Galitskiy's text it follows that there are no lists of repatriated persons and it is clear that no effective work is possible without them. The more than modest sum of the monetary allowance draws attention to itself: 22,481 Americans were issued R260 which totals 1.15 kopeks per person and it is not known for what period of time. Finally, the fact remains: These Americans did not return to their families.

Cheney Cited on Post-Coup Relations

91UF1148A Moscow IZVESTIYA in Russian 10 Sep 91 Union Edition p 4

[Report by IZVESTIYA correspondent A. Shalnev: "U.S. Defense Secretary Prepared To Cooperate With the New Soviet Commanders"]

[Text] New York—As U.S. Defense Secretary Richard Cheney declared, he is impatient to begin "working with the new generation of Soviet military leaders." And, the secretary said in an interview with CNN, we are in fact talking about a "new generation. Mr. Shaposhnikov is approximately 20 years younger than his predecessor. He is roughly the same age as I.... The advent of a new generation, the advent of people who are prepared to take a fresh look at their country's military requirements and who understand what the appropriate role of the Soviet military is—not an aggressive role, not one fraught with a threat to its neighbors—we see this as a very positive development of events."

Announcing that he would send his Soviet colleague an invitation to visit the United States, R. Cheney

observed, however: "We have not settled on a date for the visit, he is a man who, as is perfectly obvious, is now very busy: He is attempting to restore—and establish—control over the Soviet military."

"We are lucky, the defense secretary continued, "that there are currently at the helm of government such people as Yeltsin and Gorbachev. Perestroika, glasnost, the start of the reforms—Gorbachev's contribution here is great... and Yeltsin has contributed tremendously to the defense of democracy. We will be required to deal with both of them. We have to deal with those who are at the center. And, of course, we have to deal also with the head of a country which is as big as the Russian Republic."

But while welcoming the political changes in the Soviet Union, the secretary is not, however, disposed to draw "military conclusions" from the qualitatively new situation. He categorically rejected the idea of a reallocation of U.S. military-strategic priorities. "We cannot," Cheney said, "make fundamental decisions concerning the long-term requirements of the United States in the area of security based on how the situation develops in the Soviet Union by the day, or even by the week."

From the viewpoint of the head of the Pentagon, in the past two years the United States has done much as it is: It has appreciably reduced the defense budget, there are now fewer men on active service than at any time in the past 40-plus years, Army divisions are being cut by one-third, the Air Force by more than 30 percent.... According to Cheney, it would meanwhile be premature and wrong to make more rapid or more extensive reductions.

The secretary made it clearly understood that it is now the turn of the Soviet Union: "We hope that they will be prepared to appreciably reduce their forces."

R. Cheney emphatically supported the preservation and development of the Strategic Defense Initiative. "The arguments in support of SDI," he said, "have probably become even more well-founded precisely at this time, when we are encountering the possibility of the fact that, in place of one nuclear power, there could in the Soviet Union be several. The defense of the United States and our friends and allies overseas against a possible missile attack is one of our most urgent priorities. We need the Strategic Defense Initiative."

Cheney declared, "Although there have been phenomenal changes in Moscow, which we welcome and which we view with enthusiasm, a fact—if we take the military outlook—remains a fact: Thousands of nuclear warheads are targeted on the United States at this stage, as before. We have no reason to express concern over who is controlling the Soviet nuclear arsenals. But we do not know, of course, what the situation will be like two or three years down the road inasmuch as they (the Soviet Union—A.Sh.) are still trying to determine what their internal arrangement will be."

At the same time Cheney announced that the meeting of the NATO Nuclear Planning Group in the next few weeks would be discussing in earnest the question of tactical nuclear weapons in Europe, but weapons which, according to the secretary, "are no longer particularly relevant, considering the situation that has taken shape" on the continent.

Cheney was asked about the options of rendering the Soviet Union economic assistance which could in one way or another be connected with the U.S. military budget. One of these options, proposed by Democratic Senator P. Moynihan, provides for America's virtual redemption of the Soviet nuclear arsenals: "You eliminate all or almost all your nuclear forces, we will make available to you extensive assistance." A second option, proposed by Congressman Aspin, is as follows: \$1 billion of assistance to the Soviet Union from the Pentagon budget.

Cheney considered both options premature. It would be a mistake particularly at this time, he said, "to cut back our defenses in order to help the Soviets."

Speaking about assistance, Sunday's NEW YORK TIMES brought truly depressing news. Neither American nor European bankers are prepared to avail themselves of the guarantees which the administration has provided for the latest batch of credit for the Soviet Union for the purchase of farm products in the United States. Some \$315 million are simply up in the air.

It was somewhat easier with the first batch of credit of \$600 million, and, although with difficulty, bankers were found, not in America, it is true, but in Europe, who availed themselves of the American Government guarantees. Food is already being acquired under this credit. But now, when the food situation is becoming catastrophic in the USSR and when the need for purchases overseas has risen sharply, creditors are not to be found.

TASS Commentary on U.S.-Israeli 'Confrontation'
LD1709100691 Moscow TASS in English 1441 GMT
16 Sep 91

[Article by TASS analyst Yuriy Tyssovskiy]

[Text] Moscow September 16 TASS—President George Bush has been branded as anti-semitic in Israel. A minister without portfolio, Rehavam Zeevi also told the Israeli government on Sunday Bush was a liar with a propensity for cheap demagoguery.

In the past 30 years, there have hardly been occasions when American-Israeli "mini-crises or separate conflicts—of which there have been quite a few—reached

such a degree of intensity as this one. Associated Press has described the situation as unprecedented, which it really is. Attempts by Prime Minister Yitzhak Shamir and Defence Minister Moshe Arens to smooth away the oppressing impression from this militant rhetoric did little, if anything, to alleviate the strain.

It all started when Israel asked the United States for a guaranteed loan of 10 billion dollars to "help house Soviet Jews immigrating to Israel".

Earlier Washington extended full support for the process, but this time is thoughtful. The fact is that Shamir insists on building much more intensively "on occupied Arab territories, which, according to the White House, can undermine the peace process gaining strength in the region and call into question the convocation of an international peace conference on the Middle East as the Arabs press for the end of occupation.

Because of this, the U.S. President announced his intention to make the Congress freeze for four months the decision on U.S. guarantees and even threatened congressmen he would use his power to veto the decision if they refuse to support him.

To say that the Israeli establishment was shocked by the approach is to say little or nothing. The Shamir government decided on confrontation. The prime minister made it quite clear who he would rely on in the conflict with the White House when he said, "we have friends in the United States. I do not think I need to add anything to it".

What he meant was the all-powerful pro-Israeli lobby on the Capitol Hill, where Shamir plans to launch a kind of second front against the U.S. President.

A virtual army of thousands of lobbyists are pressuring Congress members these days.

Suffice it to recall that during his term of office the president has never had to repeal his veto as the opposition in Congress was unable to muster the necessary two-third majority. But one should not underestimate the influence of Israeli supporters in American society. Even if decisions they seek to impose are contrary to the national interests of the United States.

Confrontation is in full swing. Today, Secretary of State James Baker arrives in Israel. This explains why Shamir's pronouncements have lost some of its sting and conciliation notes have appeared in them.

As regards Baker, he said the other day he had some compromise solutions to suggest.

It only remains to live and see.

Pankin, Finnish Foreign Minister Discuss Economics

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[Text] Finnish Foreign Minister Paavo Vaeyrynen is now in Moscow for the first time since the attempted coup, with its aftermath changing the country entirely. Vaeyrynen met Soviet Foreign Minister Boris Pankin with whom he had talks especially on the continuation of economic relations between the countries. Pankin had said that the present central administration is the heir of the previous one, also with regard to debts. There is still much to investigate, however.

The YYA treaty [of friendship, cooperation, and mutual assistance] between the countries was not discussed at the talks between the foreign ministers, despite the upheavals experienced by the Soviet Union. Vaeyrynen said at a news conference, which ended a moment ago, that the time for reassessing the YYA treaty had not come yet. Vaeyrynen told Pankin, however, about Finland's intentions to take up the question of a treaty system with the Russian Federation. Vaeyrynen did not yet want to say what kind of treaty was being planned between Finland and Russia; that is, what such a treaty would contain, apart from trade and economy. Later in the autumn an RSFSR delegation will arrive in Finland, and Vaeyrynen is due to meet the Russian Federation foreign minister during this visit.

The actual reason for the Finnish foreign minister's visit to Moscow is attendance at the CSCE human rights conference. This conference is expected to admit the Baltic states as members of the CSCE as soon as tomorrow.

Future Union Solvency Worries German Bankers

91GE0459A Hamburg DER SPIEGEL in German 16 Sep 91 pp 18-21

[Unattributed article: "'We're Betting on the Germans'"—first paragraph is DER SPIEGEL introduction]

[Text] Bonn and the German banks are worried about the Soviet Union's solvency. This year alone, \$15 billion in loans come due; the next payment is imminent. The west must support the restructuring of the country with new funds; that much is clear. And Genscher wants to speed up the aid.

Hans Dietrich Genscher was not sure how he should assess his interlocutor. In the protocol, Professor Alexander Jakovlev, whom the Foreign Minister had met in the Kremlin on the previous Monday morning, was listed as the "Chairman of the Municipal Assembly of Moscow."

"Mr. Jakovlev, what function is it exactly that you perform," Mr. Genscher asked, in an attempt to clarify matters, "and to what area do your responsibilities extend?"

Mr. Jakovlev's reply was that he did not actually have any responsibilities. With a grin, he added that people came to him all the time to have papers of one sort or another signed. And that he did.

Even for an experienced foreign minister, it was evidently no easy task to retain one's sense of orientation, and no staff, no matter how experienced, could provide any help.

Things are hardly any different for Mr. Genscher's opposite numbers, either. EC Foreign Commissioner Frans Andriessen, who, like Mr. Genscher, was on a trip to Moscow last week, had just received Ivan Silayev's request for food aid in the amount of 12 billion German marks [DM] in the Kremlin, when he was informed of Mr. Silayev's resignation as head of the Soviet Committee on Managing the National Economy. A short time later, Mr. Silayev denied the report.

One thing is apparently certain. Everything is topsy-turvy in the Kremlin. Only Moscow's chaotic reshuffling of power is having precisely the right effect on the foreign visitors. Western politicians are not finding any competent people to talk to, and the chaos in terms of personnel was adding to the uncertainties of the future of the Soviet Union.

The man who spoke to Mr. Genscher, Mr. Jakovlev, hastily attempted to dispel the ludicrous impression by taking a trip of lightning-like speed to the Federal Republic. In a meeting with Chancellor Helmut Kohl in Bonn, this confidant of Mikhail Gorbachev gave his assurances that his boss had everything under control once again.

In his conference with the head of our government, the emissary went to great lengths to present a convincing case for the argument that keeping the political union of republics together would prove to be a successful undertaking. In addition, according to Mr. Jakovlev, an economic confederation with a common unit of currency would become a reality as well.

Mr. Jakovlev's attempt to allay the Germans' fears was urgently needed. In western financial centers, rumors stubbornly persisted to the effect that from 1992 onward, Moscow would no longer provide any guarantees for credits extended to individual republics. Defaults in payments to creditor banks were a real threat.

The market's reaction was immediate. Banks that had extended large credits to the Soviets were particularly affected. Last Monday, shares in the Deutsche Bank had fallen off by DM8.30, and the price of shares in the Dresdner [Bank] and the Commerzbank experienced a temporary decline as well.

"We are in the midst of a difficult, if not a critical phase," warned Ernst-Moritz Lipp, chief economist of the Dresdner Bank in Frankfurt. He said the Soviet Union, like the other countries of eastern Europe, was dependent upon financial aid. On the other hand, the

willingness of the western countries to pay was limited by budgetary problems of their own.

"Justifiable doubts," as to whether the Soviet Union could pay back the money it had borrowed so far, are harbored by Christian Meier, an expert on the east from the Federal Institute of Eastern and International Studies in Cologne. The Soviet Union owes the west the equivalent of DM110 billion in debts. In recent years, the amount owed to German banks alone has increased to circa DM37 billion.

Mr. Jakovlev, Gorbachev's man without any concrete area of responsibility, eagerly tried to assure Bonn of Moscow's solvency. Both the chancellor and Minister of the Economy Juergen Moellemann, heard the message, but the doubts remain.

In deep concern, bankers and governments that had underwritten, with government guarantees, the preponderance of Moscow's debt, which runs into the billions, wanted to know whether the Soviet republics could agree on a division of the old debts.

Time is of the essence. This year alone, \$15 billion will be needed just to redeem short-term obligations.

The due date of the next payment is just around the corner. On 27 September, the interest on a foreign loan granted to Moscow in the amount of DM0.5 billion, which was set at an interest rate of 7.5 percent by the Commerzbank two years ago and is to run until 1996, becomes due and payable.

All of a sudden, DM37.5 million are falling due. A few thousand German investors are affected. "We are operating on the assumption," said Commerzbank Manager Ulrich Ramm cautiously, "that the money will be paid."

A rescheduling of the debt, or even a large-scale exemption from the debt, according to Friedl Neuber, head of the Westdeutsche Landesbank, is not necessary. All that would do is damage the Soviet Union's reputation.

Thus far, Moscow has had the reputation of being a reliable debtor. Debts for which assurances have been given by the Bank of Foreign Credit have always been satisfied.

But the burden is mounting. The debt owed to western firms alone from Riga to Novosibirsk amounts to approximately \$4 billion. As a rule, obligations of this sort are not covered by the Bank of Foreign Credit.

Insolvency, the loss of international creditworthiness, would be the worst thing that could happen to the economic restructuring of the command economy. Without aid from the west, the republics of the Soviet Union would sink even deeper and even more rapidly into the economic morass.

As Mr. Genscher learned last week in the course of his travels through Russia and the Baltic, everything

depends upon the financial promotion of the restructuring by the wealthy countries of the west and their banks.

The mayor of St. Petersburg, Anatoliy Sobchak, who is eager to implement reforms, tried to fire up enthusiasm in his German guest for a German-Russian bank, like the one that existed prior to the revolution of October 1917. Such an institution could promote private enterprise, promote the settlement of ethnic Germans around his metropolis of millions, and it could also help in the training of merchant bankers, who are urgently needed, he said.

Mr. Genscher, and those who accompanied him, found such "concrete notions" being harbored by Boris Yeltsin as well.

"The day of joint efforts is now dawning," Russia's President proclaimed. When Mr. Yeltsin visits Germany in November, a provision for the voluntary settlement of ethnic Germans in a new autonomous Volga republic will be hammered out.

Mr. Yeltsin even proved to be willing to grant autonomous status to other areas with "dense German settlement."

"We are the kind of people," Mr. Genscher praised himself and his Russian interlocutor, "who don't waste a lot of words, but get right down to results."

That remains to be seen, because in the thicket of preexisting or future areas of responsibility in the exhausted Soviet economic system, the perspectives sketched out by Mr. Genscher concerning the role of the new union and its republics within Europe are, for the time being, little more than pleasant-sounding declarations of intent.

Nevertheless, the hosts were pleased with Mr. Genscher's lofty proclamations ("In the long run, the west will not prosper if the east languishes").

From Mikhail Gorbachev, who met the traveler from Bonn "with resolve and vitality," he quickly heard: "We're betting especially on the Germans now."

The Baltic republics are doing the same. The boss of the Foreign Ministry promised the Estonians, the Latvians, and the Lithuanians, in the course of his lightning-like visits, to convince recalcitrant EC members of the necessity of rapid negotiations for associate membership. Before this decade is over, according to the internal concessions Mr. Genscher made, all the states that abut the Baltic Sea would be full members of the EC.

"Inevitable developments," intoned outrider Genscher, "have to be confronted once they occur."

His hosts liked the high-sounding rhetoric, but it does not solve their problems.

The Soviet republics need one thing above all, and they need it quickly: money. The Germans are willing to help—the results of a DER SPIEGEL poll make that clear—but the aid must not cost too much; the majority is clear on that point as well. In any case, not just economists are asking how much financial aid actually makes sense. Too much aid, it is feared, would do no more than further entrench the old conditions.

In addition, the prerequisites for new financial assistance are lacking. These conditions can exist only when the problem of old debts is resolved.

Granting the individual republics in the Soviet realm major concessions for nationally guaranteed financial aid for trade is not indicated at this time warns the Dresdner Bank's expert, Mr. Lipp. First there must be clarity concerning "what form economic cooperation between the republics and with international trading partners will take in the future."

The German banks are in agreement that there must be an institution similar to the Bank of German Laender, the predecessor of the Bundesbank, which will centrally control the flow of money between the republics.

"How the foreign debt service is divided," says Mr. Lipp is "an internal matter" for the union to decide. The creditors should not interfere with that.

In point of fact, the notion that a uniform system of currency, with a convertible, halfway stable ruble as the unit that anchors the entire system, would be best, is gaining ground in the republics, in spite of all efforts toward political freedom. Instead of that, however, the ruble continues to loose value continually.

More and more banknotes are needed to pay the inflationary prices for food and rent, for gasoline and textiles. There has been unrest in some factories because wages could not be paid to the workers due to the lack of paper money.

Even though the presses are printing overtime seven days each week, the demand cannot be satisfied. The need is too great.

Other western politicians are also being given the opportunity to hear the official complaints. The money supply, Leonid Kravchuk, President of the Parliament of the Ukraine told his visitor from the EC, Mr. Andriessen, would last for just one month. He has already made two urgent requests in Moscow for additional supplies. "But we haven't received a single banknote," Mr. Kravchuk complained about the central government.

In the meantime, in Germany, further thought is being given to emergency programs for the Soviets. Saxon Minister-President Kurt Biedenkopf, for example, is trying to win over his colleagues from the eastern German laender for a program called, "East helps East."

What is the Biedenkopf plan? Unemployed engineers and skilled workers from the new laender should be used in the winter aid program for the Soviets. The exhausted gas and petroleum industries could, in this way, be supported, as could the distribution of foodstuffs. According to the Saxon, however, Bonn would be called upon to pay for such programs.

The Soviets are hoping for aid of another sort. They are going to great lengths to entice German banks into the country, banks whose experts could teach Russians and Ukrainians, Latvians and Lithuanians the finance business.

One man is in particularly great demand: the former President of the Bundesbank, Karl Otto Poehl. St. Petersburg's Mayor Sobchak asked Bonn's Foreign Minister Genscher to act as the go-between. As Mayor Sobchak sees it, Mr. Poehl, who is retired, could build up a financial system based on the western model in the new empire of eastern republics.

In the meantime, Finance Minister Theo Waigel, is certain that the Soviets are not yet finished. If nothing out of the ordinary happens, the assessments in Bonn would have it, Moscow's Bank of Foreign Credit will be in a position to scrape the payments together that it needs to make to meet its obligations.

If push came to shove, the Soviets could borrow against their gold and thus bridge liquidity problems, at least in the short run. "They're not exactly picked clean," one expert in Bonn puts it, "they still have something in the cellar."

East European Economics, Indebtedness Viewed

91UF1051B Moscow PRAVDA in Russian 3 Aug 91
Second edition p 5

[Article by V. Gerasimov: "You Took It—Give It Back"]

[Text] "Little has recently been printed about the economic situation of the countries of Eastern Europe. Are they paying off their foreign debts? What are these?—S. Bondarev, engineer, Nizhniy Novgorod."

It is easy to fall into the trap of debt—to get out is extremely difficult. The foreign indebtedness of the countries of Central and Eastern Europe continues to be the burden that is dragging them down, but it is also compelling them to scramble out.

Poland and Hungary are burdened most of all. The former has taken 48.5 billion dollars on the side, the second—21 billion. If, when assessing this "burden," one uses the size of the country's population as a basis, then it is heaviest for the Hungarians. But one can also follow the following principle: Are appropriate proportions being observed between the amount of hard currency receipts from exports and the size of payments for current interest and principle? With such an approach, Poland pulls away into the lead. Overall, its debt is four times greater than export earnings.

Back in March, it was decided at a session of the Club of Paris that, "in view of the exceptional situation in Poland, which has been involved in reforming its economy," to write off 50 percent of her debts (seventeen countries belong to this club and they had loaned Poland 33 billion dollars) in two stages—by 30 percent after the first three years, and then by 20). At the same time, a number of economic demands were advanced that are still being discussed. Austrian bankers, in turn, proposed an alternative for Poland that is well-known in world practice—to exchange the debt for a share of "participation" in enterprises. Poland also hopes to reach a similar agreement with the commercial banks of the Club of London, to which it owes eleven billion dollars. But there is no enthusiasm felt from their side. It is necessary as well to understand the mechanism of such a write-off: Poland long ago returned the amount taken, but now there is the interest... We are therefore talking about a smaller repayment of accumulating annual interest.

Hungary is going its own way, is not insisting on a review of payments, and is repaying promptly, but is constantly taking more and more new credits for development of exports and improving the competitive quality of its goods.

Czechoslovakia increased its debt from 7.6 billion dollars in 1989 to 11 billion by the end of 1990. Among the former socialist countries, its position is the most solid.

Foreign credits are an important source of production growth when they are utilized effectively. They do, in fact, help "to scramble out of the trap of debt." On this plane, the experience of Hungary is positive. And that of

Bulgaria is negative. A year ago, Bulgaria halted all payments to foreign banks and funds on interest and principle accounts (a debt of 11 billion dollars). In response, Western banks immediately declared a moratorium on the extension of credits.

Romania has the smallest debts of all the Eastern European countries. These vary within the limits of 1.5 to 3 billion dollars.

It is risky and dangerous to slide into foreign debt. As is known, for example, the United States has a debt of 300-470 billion dollars according to some estimates. Certain economists, including such prominent ones as Pat Kozt [transliterated] from Washington, think that these figures are too low. As he recently stated, "the reality is that we are selling our country and are sliding more and more deeply into debt, and the size of foreign ownership is leading to political control over the United States." This, of course, is a reference to the active financial and credit policy of Japan, which is also winning firm positions in Eastern Europe. For example, 40 percent of the Hungarian debt is in Yen.

Bulgarians Debate USSR Friendship Treaty

91UF1051A Moscow IZVESTIYA in Russian 3 Aug 91
Union Edition p 4

[Article by IZVESTIYA special correspondent A. Kapralov: "Stormy Debate Surrounding Treaty"]

[Text] The Bulgarian parliament has decided not to extend the treaty of friendship, cooperation, and mutual assistance between the Republic of Bulgaria and the USSR for another five-year period.

Let us recall that the cited treaty was concluded in Sofia on 12 May 1967 for a period of twenty years. Since neither of the sides renounced it a year before its scheduled expiration, it was automatically extended for another five years, i.e. until 4 August 1992. Thus, the time has come when it is necessary either to renounce the treaty or automatically to extend it again.

Long before the moment came to make this decision a stormy debate developed in the press concerning, remarkably, a nonexistent draft of a new treaty. The opposition press has, a priori, called it "enslaving," "perfidious," and "a deal behind the people's back." The military clauses of the treaty and the obligations not to participate in military alliances directed against one of the parties have been subjected to special attacks.

The Bulgarian leadership and, in particular, Prime Minister D. Popov have repeatedly explained that nobody intends to impose a new treaty on Bulgaria and Soviet Ambassador Viktor Sharalov has stated that the USSR is prepared to conclude any kind of treaty Bulgaria considers necessary.

Speculation surrounding preparation of a new treaty has continued, however, and the decision of parliament

clearly is not putting an end to this campaign. An example of this is the just-published issue of the newspaper DEMOKRATIYA, where news from the popular assembly is reported under the headline "Bulgarian-Soviet Treaty Ceases to Function." Meanwhile, a joint declaration of the Bulgarian and Soviet Foreign Ministries, read at the session, states that the existing treaty will continue in effect until a new one is signed.

As representatives of all the political forces included in parliament emphasized, the existing Bulgarian-Soviet treaty does not respond to present realities. Speakers from the Bulgarian Socialist Party pointed out that preparation of a new treaty must become a priority task for the government. As Deputy Ivan Genev said, Bulgarian-Soviet relations must not be made a hostage of Bulgarian-American relations. At the same time, he noted the "illegality" of discussing preparation of treaty with the USSR illegality of discussing the treaty being prepared with the USSR in advance with US Vice President D. Quail and NATO General Secretary M. Werner.

For my part, I would add that intensification of the search by Bulgaria for a source of support on the other side of the ocean and its diplomatic activities in what is basically a Western direction have resulted in having the fate of the treaty with the USSR being decided at the end of the line and also, as they say, a second before the final bell.

Poles Skeptical on Joining Soviet Economic Union

*PM0909143691 Moscow IZVESTIYA in Russian
6 Sep 91 Union Edition p 3*

[Correspondent L. Toporkov report: "Mixed Reaction"]

[Text] Warsaw—In the evening of 4 August Vice Premier L. Balcerowicz returned to Warsaw from Moscow. Answering correspondents' questions at the airport, he refuted reports that Poland intends to join an economic agreement that could be signed between the sovereign Soviet republics.

It is well known that I. Silayev, speaking about the new economic union, noted that it could include not only 15, but 18 or even 20 sovereign states, and he mentioned Poland among these.

The report from Moscow on this part of I. Silayev's statement is the subject of varied comment in the Polish press. The social democrats' newspaper TRYBUNA published an article headed "Great Tactlessness in Moscow." It says, in part: "The Russian premier equated the Soviet republics and Poland immediately prior to Balcerowicz's press conference. When the vice premier was asked to comment on this statement, which Balcerowicz himself had not heard, he said it was probable. Silayev wanted to emphasize the readiness to establish good economic relations in our part of Europe... After the press conference it was clear that Silayev's statement

had come as an unpleasant surprise for Balcerowicz. Thanks to the efforts of Leningrad Mayor A. Sobchak an unplanned press conference was given by Balcerowicz and Silayev, during which the Russian premier asked for his remarks at the Congress to be interpreted as showing the desire for closer economic cooperation with Poland."

The newspaper goes on to report that the question of Poland's participation in an economic union was not broached during the talks with Balcerowicz. Silayev announced that he will probably be visiting Poland early in October to sign a new economic agreement. The Polish vice premier, the newspaper observes, clearly reluctant to exacerbate the situation, expressed the hope that trade exchange between our countries will be more intensive.

The Polish newspapers assess highly Balcerowicz's visit to Moscow and his meetings with Gorbachev, Yeltsin, Silayev, and Yavlinskiy. It is noted with satisfaction that an agreement was concluded with Russia and agreements with the Ukraine, Belorussia, Latvia, and Estonia were initialed.

Soviet Journalists Missing in Yugoslavia

*91UF1156A Moscow IZVESTIYA in Russian 11 Sep 91
Union edition p 6*

[Article by IZVESTIYA Correspondent by Ye. Vos-trukhov, Belgrade: "They Did not Return from Their Trip.... The Search for the Missing Soviet Journalists Continues in Yugoslavia"]

[Text] Toward the middle of the journey, the Belgrade-Zagreb International Super Highway gradually becomes desolate. Not only international buses and trucks but also automobiles with local license plates disappear from the highway's first-class roadbed. After Slavonski Brod, we—a group of Soviet journalists—were the only ones who remained on the road. Both the fields surrounding the road and the tidy roadside villages appeared desolate and guarded. Their residents can be subjected to an exchange of fire at any moment: the civil war is continuing in Croatia.

On September 1, the road between Belgrade and Zagreb was cut off right after rail communications had been cut. The highway was blockaded in the area of Okucani: bloody engagements had broken out there between armed detachments of Serbs and Croats. But our colleagues—Soviet Television Correspondent to Yugoslavia Viktor Nugin and Cameraman Gennadiy Kurinnoy still did not know about that when they drove out of Belgrade 10 days ago. Their dark blue Opel was used to speeding off to the north....

Since the beginning of the civil war in Croatia, Soviet television has regularly transmitted its Yugoslavian correspondent's objective, honest reports from the hottest of hot spots. I witnessed more than once their selfless, courageous work and described it in my article "Pod ognem... zhurnalisty" [Journalists Under Fire]. This

time Viktor also invited a colleague to join him on the assignment. They discussed the plan in his office at the correspondent's offices: to work in Zagreb for 3-4 days, early morning—departure for the "war," during the day—return and prepare the material shot, and transmit it from the Zagreb Television Center to Moscow toward evening. Viktor had many colleagues in Croatian television with whom he had established good professional relations (but then again, he also has the same reliable, creative relations in Ljubljana). And he proposed not returning straight home from Zagreb but through Osijek, Vukovar, and Borovo-Selo where the engagements do not subside by day or by night and where our lads are already well known on "that" and the "other" side. However, on that Sunday, September 1, all of us had urgent matters to attend to in Belgrade but Viktor and Gennadiy did not disrupt their plans. They left and have still not returned.

Nogin has a journalist's outstanding habit: no matter where he was, he would report his location to the editorial staff office or to his apartment—to his wife Galina or to his children Dasha or Nikita. But not one call has followed to either Belgrade or Moscow from Nogin or Kurinnoy during this entire time. You can only say one thing for sure: they did not reach Zagreb that day. Later it was ascertained: they did not stop at any city hotels.

So what happened to the Soviet journalists? This is the tenth day that there is still no answer to this question. Right now many searches are being conducted. They were noticeably livened up after M. Gorbachev requested that the government and society of Yugoslavia render assistance in the search for the Soviet journalists. Unfortunately, much time was lost for nothing prior to this. Central Television recalled the disappearance of its colleagues only on the fifth day, having limited itself to a formal statement that the Soviet Embassy in the SFRYu [Socialist Federal Republic of Yugoslavia] was taking the required steps. A day later, TSN [expansion unknown] leaders calmed everyone with a cheerful interview with a Soviet embassy worker which ended with an optimistic prediction... whose sense was: Do not worry, the correspondents will turn up soon.... At the embassy, they did not undertake any energetic activities, having obviously counted on the clearly visible. Only after M. Gorbachev's appeal (on the ninth day after Nogin's and Kurinnoy's disappearance), an official representative of the Soviet embassy requested authorization to appear on Belgrade television with a request to the Yugoslavs to assist in the search for the missing journalists and naturally it was broadcast immediately. At that time, one of the leaders of the embassy took it upon himself to make the visits required for the search to the leaders of federal departments.

The Belgrade department of NOVOSTI Information Agency became the headquarters for the search for our

colleagues. At TANJUG Press Agency, the telephone departments were ordered to call Soviet journalists accredited to Yugoslavia and the country's population with a request for their assistance in the search for our comrades. Journalists S. Gryzunov, A. Baturin, and Yu. Arsenyev served the voluntary round-the-clock duty. Everyone waited for reassuring news. There were a multitude of calls: the Yugoslavs took our misfortune to heart. They also reported possible search addresses: Okucani, Osijek, Pakrac (today these are the "centers" of the Serb-Croat confrontation). A team, consisting of PRAVDA Correspondent Ye. Fadeyev, TASS Correspondent A. Bocharov, and the officers from our embassy who are responsible for the safety of its workers, went to Osijek. And our journey took us along the Belgrade-Zagreb Highway.

Nearly 250 kilometers were behind us. Ahead was Okucani that is surrounded by Croatian national guardsmen. It has not been excluded that our comrades' route could have been suddenly cut short somewhere along here. We decided to stop at the small town of Nova-Gradiska; special police patrols on the highway permit us unimpeded access to the town. The town itself is under martial law and there are ambushes of armed people, sentries, and barricades on the streets everywhere. All of the cafes have been boarded up by the military. And we noted that each house has its own bomb shelter. A conversation with the town's Committee on Territorial Defense Secretary K. Kovachich did not provide us anything: according to his assertion, there were no Soviet correspondents there. And right now we could not reach the city even with our escorts—an engagement was occurring.

We set out to detour around it—at first we drove toward the Sava River which is the border, we ferried across to its right bank, found ourselves in Bosna I Hercegovina, and later in the town of Bosanska-Gradiska. It was quiet there and units of the Yugoslav People's Army guarded all approaches from the Croatian bank. We drove across a bridge to the left bank and drove along a road lined with tanks, armored personnel carriers, and anti-aircraft weapons systems (in recent weeks, the road has been under constant mortar fire). The guarded route ended at a blown up bridge across a canal (the Croatian side recently blew it up but the military rapidly erected a new one alongside). Croatian National Guard Barricades were visible further along the road. The route was closed to strangers. And although we did not manage to get to Okucani, we learned that no trace of Nogin and Kurinnoy had been detected in that area. Command representatives of the local Yugoslav People's Army corps told us about this.

The republic authorities of Croatia and Serbia and the Yugoslav People's Army command are continuing the search. Telephone calls continue to come in on the Soviet journalists' contact telephone. Hope of finding our combat comrades still remains....

Soviet Peace Committee Receives Proposal on Cuban Medical Aid*91UF1165B Moscow PRAVDA in Russian 7 Sep 91
Single Edition p 5*

[Interview with Alvarez Cambra, director of Frank Pais Hospital, by Yu. Zhuravlev: "We Are Waiting for You"]

[Text] [Zhuravlev] Companero Cambra, how did the program for the treatment of the Soviet "Afghan" soldiers in Cuba come into being?

[Cambra] The Soviet Peace Committee asked us to treat the "Afghan" soldiers. We quickly agreed. The Cuban Government and Fidel Castro himself directed several public and state organizations to draw up a program for the treatment of not only the "Afghans," but also the children who had been victims of the Chernobyl disaster. They were assigned three wards—107 beds in all—at Frank Pais, the best orthopedic hospital in Cuba. This was one-third of our hospital's "patient capacity." Cuban medical specialists went to the Soviet Union right away to choose the patients, and the first group of Soviet people arrived in Havana in March 1990.

In 16 months, 263 Soviet patients were treated in our hospitals; 133 surgical operations were performed, and patients were provided with 192 prostheses. The group of patients covered a broad geographic range. The "Afghans" came to us from virtually all of the republics in your country. Some of our former patients, as I was told in Moscow, successfully defended the barricades around your "White House." They included Lt Col Valeriy Radchikov of the Soviet Army.

[Zhuravlev] We know that your country is experiencing serious economic difficulties, but the Soviet patients are being treated in extremely comfortable surroundings, and they say that there is a television set and video system in each ward. Is this true?

[Cambra] Cuba is having a hard time now. We are having economic difficulties and we have had many problems with our efforts to carry out various social plans. In view of your own internationalist assistance, however, we are doing everything we can for the Soviet people. We have tried to create the warmest and most hospitable atmosphere for the patients. In addition to television sets and video systems, a special parabolic antenna was installed. Patients can always watch direct transmissions of Soviet television programs in their wards. A direct telephone line to the USSR was also installed for them.

[Zhuravlev] Who is financing the program?

[Cambra] The Cuban side is covering all of the costs of housing and treating the Soviet people. The Soviet Peace Committee is paying their travel expenses. This year we are prepared to treat another 250-300 people in Cuba, or more if necessary. Cuban orthopedic specialists are finishing up the patient screening procedure in various republics of the USSR. Children from the parts of the

Ukraine, Belorussia, and Russia that were contaminated by radiation will also continue to be treated in Cuba.

During the current talks in the Soviet Peace Committee, we suggested the continuation of the treatment program without any numerical or time limits. This applies equally to the "Afghan" veterans and to the children of Chernobyl.

Cuban Emigrant Leaders Discuss Plans for Post-Castro Cuba*91UF1165A Moscow KOMSOMOLSKAYA PRAVDA
in Russian 11 Sep 91 p 3*

[Article by V. Kulikov: "Island of Freedom, But Without the Castro Brothers; This Is What Cuban Emigrant Leaders Urged When They Came to Moscow"]

[Text] Men like Jorge Mas Canosa and Francisco Hernandez are called "gusanos" ("worms") at rallies in Havana. This pejorative label was pinned on them after they took part in the abortive counterrevolutionary landing operation on Playa Giron 30 years ago. When I spoke with them, however, they did not sound overly troubled by this: "Fidel Castro should be more discerning in his choice of terms. After all, according to his line of reasoning, at least one out of every six Cubans is a 'gusano'—this is how many of our countrymen are living in exile today."

There is an old saying that you have to hear both sides of an argument. We will follow this advice and treat the Moscow trip of the chairman and president of the Cuban-American National Foundation not as the latest surprising sign of dramatic changes in our country, but as a chance to learn the views of Fidel Castro's political opponents.

"Mr. Mas Canosa, please say a few words about the organization you head."

"Our foundation, which has its headquarters in Miami (Florida), was established 10 years ago and is, according to its charter, an independent, non-profit association which may be joined by any interested individual and which is striving for the democratic rebirth of Cuba as its main goal. The annual budget of the foundation, which exceeds 3 million dollars, is made up of contributions from our countrymen in the United States."

"You and Mr. Hernandez have been successful in business since you emigrated to the United States from Cuba and your families are wealthy. As you say, you are free and you live in a democratic country. Why are you continuing your fight against Fidel Castro's government?"

"All of the directors of the foundation—and there are more than a hundred—are also wealthy people. Around 50,000 big and medium Cuban-American businessmen also take part in our activities. We value the freedom and financial security we have gained, but we do not share

Benjamin Franklin's belief that 'Home is where freedom reigns.' Nothing can replace our native land, and all of us have only one—Cuba—and it is heading for disaster."

"Now, however, the opposite point of view—that Fidel must be supported to the end—is being voiced more loudly in Cuba."

"Believe me, we have information about deeper feelings on the island, including the feelings of mid-level and some high-level party officials and the military. If free elections were to be held there now, the population would express its wishes, which would differ substantially from official declarations. The whole problem is that the Castro brothers will never hold these elections voluntarily."

We will interrupt this conversation briefly. The delegation of Cuban emigrants from Miami brought messages to the presidents of the USSR and RSFSR from several prominent U.S. statesmen and politicians to Moscow. They also brought a transcript of the "Appeal of the Cuban People," recorded from a phone call from Havana by the activists of eight opposition and human-rights-defense groups operating on the island. All of the documents request the withdrawal of Soviet troops from Cuban territory and the cessation of all types of military and economic aid to the "dictatorship."

The authors of the messages are convinced that this would bring Fidel Castro to his knees within just a few months, and power in the country could then be transferred peacefully to a provisional government.

"Mr. Hernandez, now I have a question for you. Let us make the strictly hypothetical assumption that Fidel Castro is gone, but he has not taken the threat of

economic collapse with him, and Cuba is on the verge of this kind of collapse. Would the Cubans not have to face new ordeals?"

"With the aid of prominent American economists and industrialists, our foundation would finance a program to lead Cuba out of crisis within 1 or 2 years. This is not a new idea: State property would be sold without delay, and free enterprise would be given full rein. Part of the fixed capital of privatized enterprises would be handed over to the laboring public, so that the maximum number of Cubans would become property owners. According to estimates, the inevitable surge of energetic labor and business would double production output in the country during the very first year of reform. The members of our foundation will support these changes in every way possible: We are prepared to start by investing up to 15 billion dollars in the new Cuban economy.

"Fidel Castro is trying to convince his countrymen that if his model of socialism fails, the island itself will be sunk. We, on the other hand, are saying that there will still be life in Cuba after Castro's brand of communism.

"Incidentally, Russia can only benefit from this: It can stop paying Castro huge sums in the form of 'selfless fraternal assistance' and will gain advantageous investments in its own economy during the process of renewal from our American emigrants in exchange. We are also prepared to discuss the possibility of paying Cuba's foreign debt to the Soviet Union."

Washington will not lift the economic blockade of Cuba until "Fidel Castro carries out democratic reforms," U.S. Secretary of State J. Baker said in Mexico City. Within the context of the events in Eastern Europe and the Soviet Union, Cuba "needs changes in the existing order which will lead to freedom, democracy, and a free market," he remarked.

Japanese, S. Korean Electronics Firms Open Service Centers

*OW1309134591 Moscow INTERFAX in English
0300 GMT 13 Sep 91*

[From "Soviet Business Report"; following item transmitted via KYODO]

[Text] The world's leading producers of consumer electronics are not only stepping up their sales in the USSR but are also establishing a network of service centers. Japanese firms such as Sony, Progress Trading (Sharp), and Hitachi, have already set up repair centers in Moscow and other cities and, very soon, Korea's Lucky Gold Star and Samsung will be doing the same.

Panasonic Leads

Since the USSR still does not have reliable customs data, no accurate statistic exist as to the quantity of Western electronic goods currently in use in the country.

The consumer market is such that about one fourth of this equipment is brought into the country by Soviet citizens returning from trips abroad. Another 25

is purchased at the hard currency shops which have sprung up within the USSR. Half of all the audio and video equipment is ordered directly from abroad by Soviet enterprises which have hard currency: They then sell this equipment to their employees at reduced prices and for rubles.

Specialists report that the Japanese are in the lead as to the total volume of sales in the USSR; National Panasonic is in first place, followed by Sony, due to its large sale of television sets, while Korea's Gold Star is in third place.

Several Western firms have also set up their own assembly plants in the USSR. Especially notable in this respect are the Korean firms, Gold Star and Samsung, which have started manufacturing video-recorders and television sets in the Central Asian republic of Kirgizstan.

Orbita Servis is Still the Main Soviet Partner

Ten years ago, Moscow only had one workshop for servicing all brands of imported technology. It had been set up by Orbita Servis, a Moscow governmental association. In 1988, however, Orbita Servis was given the right to deal independently with foreign firms.

The association has recently signed contracts for repairs and servicing equipment during the guarantee period with Matsushita (National Panasonic), Progress Trading (Sharp), Hitachi, Samsung, and Lucky Gold Star. Furthermore, under the terms of these contracts, Orbita Servis has the right to sign contracts in the name of its foreign partners for servicing equipment in other cities of the USSR, particularly in the European part of Russia.

Through such channels, service for foreign equipment is now available in more than 20 cities.

Repairs for Rubles, Spare Parts from Abroad

It was only in 1991 that Orbita Servis started setting up specialized workshops to service particular brands of equipment. Its Sharp Center will start accepting work as of September 1, and its service centers for Gold Star and Samsung are scheduled to open soon, possibly to be followed by one for National Panasonic.

When they set up their own brand centers in collaboration with Orbita Servis, Western firms, as a rule, take on responsibility for some of the repairs to the premises, as well as for supplying equipment and training Soviet personnel.

Orbita's contracts with Western firms manufacturing the equipment are usually valid for one year. The contracts specify that the foreign manufacturer will pay Orbita Servis 2.5% of the total value of all contracts the foreign firm may get for supplying consumer electronics to the USSR (2% to cover the cost of spare parts and 0.5% for organizing the system for servicing and a payment for repair work; in Europe the percentage is usually 3-3.3%).

Orbita Servis handles only equipment that has been purchased within the USSR and has the necessary documentation. If a video recorder that you bought overseas breaks down, you will be able to have it repaired—but at a much higher cost and only if the workshop has the necessary spare parts in stock.

Spare parts are supplied from a central warehouse in Moscow and if some items are out of stock, a customer would have to wait between one and several months for them to arrive from abroad.

Orbita Servis is making effort to expand its activities. In addition to audio and video equipment, it is also starting to repair washing machines, micro-wave ovens and similar consumer durables. All servicing is done for rubles.

The firm plans to establish its own facilities for selling Western electronic equipment in Moscow and later this year it will inaugurate the USSR's first assembly line for Sharp video recorders.

Hitachi and Sony Preferred to Operate Independently

Several major manufacturers of electronic goods—Sony and Hitachi, among them—have set up their own networks of repair centers in the USSR, without any link with Orbita Servis. These companies are totally Soviet-owned, but work under contract with the foreign firm.

Under this arrangement, Sony has had a service center in Moscow since September 1990, as well as facilities for

servicing in Kiev (Ukraine) and in Nakhodka (Soviet Far East). Current plans include setting up similar centers in St. Petersburg (Leningrad), Riga, Tblisi, and Vladivostok.

During its first year of operation, Sony's Moscow center undertook over 600 repairs, although to date access to its repair service has been limited to equipment that was still under guarantee. In the near future, however, the workshop will start accepting repair order for goods that are not under guarantee, and where charges will be made for work.

When the Moscow center was being set up, Sony provided equipment for three repair units, as well as various manual for repairs. It also trained the Soviet personnel. The Soviet founder provided premises that had been refurbished.

Under a similar arrangement, Hitachi this summer also started establishing a broad network of service centers in the USSR. The workshop in Moscow has already started operating, as have those in 10 other centers throughout the country (the European area, the Urals, Siberia, the Far East, and Central Asia). Seven more branches are scheduled to open shortly.

The director of Hitachi's Moscow center points out that the company is ready to make "certain expenditures in the USSR, counting on a considerable increase in its volume of sales in the future.

Local Reaction to Yavlinskiy Kurils Stance

91UN2733A Moscow RABOCHAYA TRIBUNA
in Russian 14 Sep 91 p 1

[Interview with Professor Valentin Fedorov, doctor of economic sciences and chairman of the Sakhalin Oblast Executive Committee, by Yuriy Makartsev; taken by phone from Moscow; date not given: "'The Kurils Improvisation' of Grigoriy Yavlinskiy and the Sakhalin Echo"]

[Text] GRIGORIY YAVLINSKIY, deputy chairman of the Committee for Operational Management of the USSR National Economy:

"The Soviet Union should display determination and will and return to Japan the 'Northern Territories'—a group of islands in the southern segment of the Kuril Chain which belonged to Japan and were annexed by the USSR at the end of World War II. The territorial issue should be resolved in the spirit of new thinking. I am convinced that this problem may be solved and will be solved in the immediate future."

(From written answers by G. Yavlinskiy to questions put by the Japanese agency KYODO. Transmitted on TASS 10 September).

VALENTIN FEDOROV, chairman of the Sakhalin Oblast Executive Committee, doctor of economic sciences, professor:

"Now that Russia is beginning to experience pressure brought to bear by other republics and feels an inside 'fracture,' raising the issue of surrendering its territories in the Pacific simply borders on the immoral. I believe that Mr. Yavlinskiy is taking an anti-Russian position in the dispute on the South Kurils, and is actually playing into the hands of those who would now like to take advantage of the temporary situation of Russia's weakness and break it economically. Where does he perceive the interests of the republic to lie? Does Yavlinskiy intend to go on living in Russia, or does he perhaps intend to emigrate somewhere?!"

Big-Time Politics or Petty Hagglng?

After G. Yavlinskiy's answers to the Japanese agency had produced a response in the "big press" of our country, we called Yuzhno-Sakhalinsk. Professor V.P. Fedorov answered the phone.

[Makartsev] Valentin Petrovich, have you heard?

[Fedorov] About the Russian patriot Mr. Yavlinskiy, proposing to cripple Russia by giving Russian territories to Japan? Sure.

[Makartsev] The Kurils issue has been "swinging" in our society for months now: It is either one politician pushing on the swing and agitating the country, or another... Now, Yavlinskiy himself recommends that we take a fatal step "in the spirit of new thinking," and he is not a person who found his way to the microphone at a rally by chance...

[Fedorov] Until now Mr. Yavlinskiy has been known as an economist, although one who has compiled two unsuccessful programs. The 500 Days proposed to break down the entire existing structure and build a new one on the ruins. Thank God, this did not come about because we would have lived for a long time now under the new yoke of the party and the Army. His second program turned out to be unsuccessful for a different reason: It was designed around "sops" from the West. Using the method of elimination, I believe that he may compile still another, more promising program. However, at present I am concerned about the fact that Yavlinskiy has "switched" to being a politician, and as I see it he has undertaken this in a completely amateurish manner. All we can do is regret that politicians of this kind hold sway in the central government.

[Makartsev] Valentin Petrovich, our newspaper printed an outline of your point of view on territories in dispute on the eve of M. Gorbachev's trip to Japan. The "fourth way" proposed by you—that both the South Kurils and a segment of the territory of Hokkaido may become a free enterprise zone—was of interest to many of our readers. What about Japan? The feeling here in Moscow is that the Japanese are not going to talk to us until we give them the Kurils.

[Fedorov] Nothing of the kind. I would like to invite the attention of Moscow precisely to the fact that in Japan

itself differences exist concerning the nature of claims made against the USSR. Many of our neighbors are aware that radical changes toward democracy are underway in Russia. Many Japanese would like to encourage these trends somehow, in order not to cause any additional difficulties associated with territorial problems for a Russia that is making a rapid transition to democracy. There are such sober-minded people among highly placed functionaries of Japan as well. Of course, they also have extremist politicians. For them, the statement by Yavlinskiy, who has openly taken an anti-Russian position, is truly a godsend.

[Makartsev] Valentin Petrovich, I recall B. Yeltsin visiting Sakhalin, then still in his capacity as chairman of the RSFSR Supreme Soviet. Apparently, as you also told me, Boris Nikolayevich listened to you with interest?

[Fedorov] I also had a meeting with RSFSR President Yeltsin not long ago in Moscow. I would like to stress that my point of view on the "Kuril nuts" and that of Boris Nikolayevich remain quite similar. I listened to Yeltsin recently on the radio, to his presentation at a press conference, and I noted for myself: The president is consistent on the Kuril issue, he is doing fine. However, as far as Yavlinskiy's own initiative... Of course, it is not outlawed, it is not. After all, we now live in a democracy.

However, should we not have some moral and ethical obligations to Russia, to the people, who should be first of all comforted and fed? Or are we like this: Let us lead a little here, in Russia, and if it does not work out off we go "to an alternate airfield?!"

[Makartsev] Are you not being hard on Yavlinskiy?

[Fedorov] Sakhalin is agitated by his Kurils improvisation, and I am altogether outraged. I am an economist myself; I head an oblast executive committee: We have to actually create new economic structures with the greatest of difficulties. If you do not help us, at least do not interfere! I have long noticed one trait in Yavlinskiy: the desire to be liked abroad. He managed to be liked in the United States on account of his second program. Perhaps now he wants to be liked in the Orient.

Where does he live—in Russia or somewhere else? Finally, I call on Yavlinskiy and others who hold positions of authority and have influence in the center: Let us finally further the cause we are supposed to serve in the line of duty! Specifically, let us improve the living conditions of the populace. This is better than making hollow statements which are not founded on considerations of history. This is what Sakhalin and I stand by.

Moscow Events, Rumors Cause Kabul Shortages, 'Panic'

*PM1709153591 Moscow PRAVDA in Russian
13 Sep 91 Single Edition p 4*

[Yu. Vladimirov report: "Wave of Rumors, or Why Kabul Is Feverish"]

[Text] Kabul, 12 Sep—During the whole three weeks that I have been in Kabul, bazaar prices for foodstuffs and basic necessities have changed constantly. But the trend is upward, however. The "black" rate of the dollar has been fluctuating by some 20 percent at the level of 1,000 afghanis.

In recent days there has been a price inflation here caused by the perceptible shortage of food and liquid fuel supplied mainly from the USSR. On the parallel market they are asking between 1,000 and 1,500 afghanis for a liter of gasoline. A kilogram of flour costs around 300 afghanis.

And this is on average monthly earnings of 4,000 afghanis for a state official.

The reasons for the interruptions in supplies of necessities have not been officially explained yet. Wherever people gather, they are being directly linked with the events in our country.

A wave of rumors has embraced all strata of the population, sometimes sowing panic. Television reports from Moscow transformed many times in the telling, and rehashes of Voice of America stories which reported, apparently citing RSFSR [Russian Soviet Federated Socialist Republic] President B.N. Yeltsin, that Russia does not intend to supply food to Cuba or Afghanistan, are giving rise to serious concern among the inhabitants of Kabul.

And the issue lies not just in the prevailing specific situation. Many Afghans pin their hopes for the future on Moscow's support. They see Moscow as one of the guarantors of the Geneva agreements, and they do not hide the fact that establishing peace on Afghan soil depends in many respects on its position.

Kabul 'Worried' About Future of Soviet Aid Shipments

*PM1009152391 Moscow IZVESTIYA in Russian
10 Sep 91 Union Edition p 7*

[IAN correspondent Andrey Pravov report followed by editorial office postscript: "If Kabul Ends Up Without Aid... Three Scenarios for the Possible Development of Events in Afghanistan"]

[Excerpts] Kabul—[passage omitted on problems of obtaining food and other essential goods in the capital] Difficult times lie in store for Kabul this fall.

What next? This question worries everyone today mainly because of the strong fear that aid from the USSR could be drastically cut or stopped altogether in the very near future. People here daily watch Soviet Television programs and are bound to see that the "older brother," as the Soviet Union is often called here, is going through serious economic difficulties today. How, given such conditions, will the Afghans living in government-controlled cities survive the winter? The stocks of fuel and food will not last long.

Kabul is also worried by the prospect of a possible reduction or even cessation of military supplies from the USSR. It is well known that these are the present-day regime's only source for resupplying its forces. At the same time the flow of weapons to the mujahidin shows no abating. The opposition receives them from the West and certain Arab states. [passage omitted]

Fear in Kabul intensifies with each day that passes, although the authorities seek to do all they can to reassure people. Opening a session of the National Council recently, Najibullah pointed out that the Soviet Union, as guarantor of the Geneva agreements, must honor its commitments to the Afghan people.

What, then, are the prospects for the development of events in the near future? Most observers in Kabul incline toward three scenarios.

The first is the accession to power in Afghanistan of extremist opposition forces, that is to say, the groups of Hekmatyar, Khalis, and Sayyaf [name as transliterated]. This is the most dreadful prospect of all.

The second possible route is the Lebanization of the Afghan conflict, that is to say the country's division into numerous small, mutually hostile territories, each of which is controlled by a field commander. In many respects this process is already under way in the country. In various regions of Afghanistan, armed opposition detachments are basically engaged in a struggle with one another for spheres of influence and the personal power of their leaders. Interethnic and intertribal conflicts are getting worse.

And the third possibility. One person I spoke with described it as the democratic alternative. In his opinion, it is essential to finalize the work in which diplomats of various countries have long been engaged. The outcome of it should be the accession to power in Kabul of a government of national unity. [concluding passage of Kravov report omitted]

The report from Kabul was already set up for printing when the editorial office received a REUTER telegram. A high-ranking delegation of Soviet parliamentarians, the telegram points out, has told worried Afghan ministers and officials that the new Soviet Union will honor its guarantees. Citing Radio Kabul, REUTER claims that the Soviet delegation promised Kabul the continuation of vitally important aid from Moscow.

We asked Nikolay Kozyrev, USSR ambassador for special assignments, to comment on this report. The agency report does not correspond to reality, he noted. A delegation comprising three USSR people's deputies has indeed arrived in Kabul. But they represent the USSR Supreme Soviet Committee for the Affairs of Internationalist Servicemen and are performing a purely specific task: Participation in a ceremony to welcome former Soviet POW N.R. Alloyarov. Alloyarov, an Uzbek by nationality, was freed by the mujahidin some time ago thanks to the efforts of the Afghan people.

Prospects for Aid to Afghanistan Viewed

*PM1109085191 Moscow IZVESTIYA in Russian
30 Aug 91 Union Edition p 5*

[Correspondent Yu. Kovalenko report, followed by editorial note: "Will Kabul Fall if Moscow Terminates Aid?"]

[Text] Paris—Paris believes that shock waves from the upheaval which is still continuing in the Soviet Union have already reached Afghanistan.

Until now—even after the Soviet troop withdrawal—the fate of the Kabul regime has largely depended on support from Moscow. Weapons, spare parts, fuel, and food are still being shipped to Afghanistan by air and along the highway leading from the Soviet Union to the Afghan capital. According to the Paris newspaper LIBERATION, the volume of this aid has increased considerably in recent months.

It was impressive even before. In 1990, the United States estimated Soviet aid at \$300 million per month. Moreover, according to Western sources, there are Soviet military advisers in Kabul. If—for whatever reason—Soviet supplies stop, the present Afghan authorities are going to find themselves in an extremely difficult position.

In view of the new situation, what will be the Soviet leaders' attitude to the Kabul regime? France believes that B. Yeltsin—who has never concealed his intention to shake off the aftereffects of the Afghan adventure completely—will try to terminate aid to Kabul quite quickly.

According to LIBERATION, after the attempted coup d'etat in the Soviet Union, Najibullah cannot really count on long-term support from Moscow, despite the fact that he was careful not to make hasty statements in favor of the putsch. Consequently, his government is now preparing for the worst. Its main concern at the moment is the problem of supplying the capital with food. According to the Afghan prime minister, it urgently requires 200,000 tonnes of grain, 50,000 tonnes of which will be supplied by India. It is proposed to buy the rest in other countries.

The Kabul authorities' problems do not end there. Ahmad Shah Masood, one of the commanders of the

armed opposition, recently announced his intention to organize a blockade of Kabul by cutting off the road through the Salang Pass which links the country to the Soviet Union, if government aircraft continue to bomb the civilian population in the north of the country.

Ahmad Shah Masood, who is also head of the Afghan armed opposition council, said that hundreds of people in Afghanistan's northern regions bordering on the Soviet Union have died in these attacks, which began 16 August. According to a communique issued by the resistance and received by AFP in Islamabad, a blockade of this road will have serious consequences for food supplies to the capital's 2 million inhabitants.

Ahmad Shah Masood also claims that this intensive bombing by government aircraft began shortly before the attempted coup d'etat in the Soviet Union. He does not rule out the possibility that these two events are connected.

Masood currently commands an army of 10,000 mujahidin, which operates in the north and northeast of Afghanistan and recently seized new territory along the Soviet border. The West believes that Masood is relatively independent of the Afghan opposition parties which have set up base in Pakistan. Other mujahidin leaders have repeatedly criticized Masood in the past for the fact that he prefers to operate alone and has so far failed to organize a blockade of Kabul.

Western observers remind people that Moscow has recently spoken out in favor of talks between Kabul and the armed opposition. However, the present regime will find it hard to stay in power if Soviet aid is terminated. At worst, Afghanistan will become an arena of bitter fighting between various mujahidin factions or, at best, an Islamic republic.

In the opinion of the Afghan authorities, the failure of the coup in Moscow must be conducive to the formation of a new climate in the Soviet Union, the United States, and Pakistan and the establishment of peace and democracy in Afghanistan itself.

LIBERATION does not rule out the possibility that, because of the prevailing situation, the Kabul regime will be forced to remove President Najibullah from power—most of the Afghan armed opposition leaders are against him. The newspaper reminds us that Nikolay Kozyrev, Soviet diplomat and special envoy, made direct contact with the opposition in Islamabad 13 August.

In his turn, Farid Mazdak, deputy chairman of Afghanistan's ruling Fatherland Party, has said that he does not rule out the possibility of his party disintegrating. In order to avoid this, he proposes following Moscow's example and taking measures to eliminate party organizations in the army. He has said in particular that "everyone who considers himself to be a Communist should leave before he is swept away by the natural political process."

Whatever happens, according to Western assessments, the actual chances of finding a peaceful settlement to the Afghan problem look extremely problematic.

From the Editorial Office: The problems raised in our correspondent's article are highly topical. After all, whether we like it or not, events in Afghanistan directly affect the Soviet Union's security interests. Has our attitude to the present government in Kabul changed since the coup? What is going to happen to our aid to Afghanistan? We put these questions to the USSR Foreign Ministry and the RSFSR [Russian Soviet Federated Socialist Republic] Foreign Ministry.

Our source in the USSR Foreign Ministry could only tell us that the situation in Afghanistan and the nature of our aid to that country are being reappraised.

The RSFSR Foreign Ministry reminded us of what B.N. Yeltsin has said. He has spoken in favor of Russia's foreign economic ties being based on the principles of normal economic relations rather than aid. Proceeding from this, as of 1991 the RSFSR will not give economic aid to Afghanistan. However, the RSFSR and Afghanistan have created a mechanism for normal trade and economic exchange and it will continue to operate.

Trade Protocol Talks With India Postponed

PM1109112191 Moscow SOVETSKAYA ROSSIYA
in Russian 10 Sep 91 Single Edition p 3

[Unattributed report under the general heading "Stop Press"]

[Text] The complex domestic political situation and serious economic difficulties being experienced by the Soviet Union are rocking the foundations of Indian-Soviet trade links, which only recently seemed unshakable.

The newspaper BUSINESS AND POLITICAL OBSERVER reported Monday that talks to agree a protocol on mutual trade between India and the USSR for 1992, due to be held this week in the Indian capital, have been postponed for an unspecified period. Quoting official opinion, the newspaper notes that right now it is even difficult to determine the partners in dialogue. The article asserts: "The Soviet republics are breaking away from the Union and re-forming as independent states. It would seem that the central authority is losing control over foreign trade."

Economic Ties With Israel Facilitated

91UN2718A Kiev PRAVDA UKRAINY in Russian
6 Sep 81 p 1

[Interview with Vladimir Grinev, deputy chairman of the Supreme Soviet of the Ukrainian Republic, by Viktor Nikipelov, parliamentary correspondent for PRAVDA UKRAINY: "Ukraine-Israel: A Test of the Pen?"]

[Text] A Ukrainian delegation headed by Vladimir Grinev, deputy chairman of the Supreme Soviet of the Republic, has returned to Kiev from Tel Aviv, where it has been at the invitation of the Israeli Chamber of Commerce Association. During the seven-day visit, the members of the delegation were received by Chaim Herzog, president of Israel, and Duv Shilyanski, president of the Knesset, and they conducted many hours of meetings with representatives of the business world.

At a governmental level, the parties discussed questions of establishing normal diplomatic relations between the Ukraine and Israel, possibilities for establishing permanent air and maritime communications were examined, and Valeriy Kravchenko, the minister of foreign economic relations of the Ukraine, signed an agreement on cooperation with chairman of the Israeli Chamber of Commerce Association Gillerman.

"The main thing in this agreement," Vladimir Grinev commented at the request of our parliamentary correspondent, "is the creation of organizational structures that will support the efforts of both governmental circles and businessmen in the development of economic mutual relations between the Ukraine and Israel."

[Nikipelov] What do you have in mind?

[Grinev] First of all, this is the establishment of joint trade houses in both countries. Permanent agreements will be signed that regulate the mutual relations between the ministries and individual firms.

[Nikipelov] What significance will all of this have for the economy of the Ukraine?

[Grinev] In my opinion, a great significance. We are not satisfied today with the way foreign economic processes are developing in mutual relations with other countries. There are many reasons here; for example, we have inadequate qualifications in this, and we lack adequate experience.

In Israel, we became convinced that there are many people who represent a number of influential banks and corporations and ordinary entrepreneurs who are ready today to take part in the creation of new economic structures in the Ukraine. Incidentally, there are a lot of people who came from the Soviet Union, including from the Ukraine as well.

[Nikipelov] But, obviously, it was not only this that served as the dominant idea in determining the country that should be among the first with whom to begin such relations?

[Grinev] Of course, we took into account first of all the fact that today this country has become one of the active points in world policy, including financial and economic. Not disregarding, of course, the fact that a lot of people live in Israel today, who know by hearsay of our current capabilities, our market, and the psychology of our people.

[Nikipelov] And the last question, Vladimir Borisovich. How did you come to be in Poland, where...

[Grinev] ...Marshal of the Sejm Kozakevich handed me the decree of the Sejm which welcomed the proclamation of the Act of Independence of the Ukraine? All of this occurred in Warsaw during our short stop en route to the Motherland.

PLO, Libyan, Iraqi Support for Soviet Coup Assessed

91UF1155A Moscow SOYUZ in Russian No 35, Aug 91 p 21

[Article by Yakov Borovoy: "Oh, These Loyal Friends...."]

[Text] The coup attempt in the USSR shocked the world. Everyone understood—our country's return to totalitarianism had disrupted the balance of forces that had developed in recent years, had destroyed the delicate shoots of mutual understanding between the great powers, and placed under threat the agreements achieved in all directions. For some reason, practically all countries of the world came out against the putschists and did not recognize the military junta. But there was rejoicing in some places....

At the beginning of last week, celebrations occurred on the West Bank of the River Jordan, in the Gaza Strip, and in the Palestinian refugee camps in Lebanon. They were accompanied by dancing and chanting. The Palestinians joyfully noted the removal of the "Zionist protege" who "bowed down to Washington and followed its orders." I recall: this is precisely how the Palestinians rejoiced last winter when Saddam Husayn's Soviet SCUD's fell on Israel....

Meanwhile, the Palestinian Liberation Organization [PLO], while welcoming the putschists, expressed the opinion that recent events in the USSR "will permit the resolution of the problem of the immigration of Soviet Jews to Israel." A spokesman for the Palestine Liberation Front (PLF), which is part of the PLO, expressed it even more definitively. Having recognized the authority of the conspirators, he urged the "new Soviet leadership to put an end to Jewish immigration and to reconsider the American Middle East Peace Plan." An official PLO statement that was released in Tunis noted that the "development of events and the changes that have occurred in the Soviet Union are an important factor that is capable of resulting in the restoration of a balance in international relations and the resolution of all regional problems since international detente and mutual understanding have become the exclusive monopoly of the American Administration which is not now taking into account the problems of liberation and independence in the world, specifically the Palestinian problem." In short, the Palestinian Liberation Organization hoped that the junta would not only solve "those tragic problems which the Soviet Union is encountering but would also "play a new role in the Middle East, while

actively supporting the solution of the Palestinian problem and putting pressure on Israel." Then, the Palestinian leaders assured them, it is possible that "Palestinian confidence in the USSR will be restored."

The leaders of the conspirators responded to the Palestinians with reciprocity. Without having practically resolved a single one of the tasks assigned to them, besides banning the publication of one or a maximum of two democratic newspapers and magazines, the "band of eight" nevertheless managed to send two important messages to PLO Executive Committee Chairman Yasir 'Arafat. The first message concerned the development of the situation in the Soviet Union and the second concerned "international efforts on resolution of the Middle East conflict and the importance of a Soviet-Palestinian Committee session."

Not only the Palestinians welcomed the "triumph" of the GKChP [State Committee for the State of Emergency]. The coup caused ecstasy for two other "loyal friends" of the Soviet Union. Congratulatory telegrams arrived from Baghdad and Tripoli. Mu'ammār al-Qadhafi, leader of the Libyan Revolution, wrote to "president" Gennadiy Yanayev: "We are happy to congratulate you on your bold, historic deed! We hope that it will bring the USSR out of the lethal crisis into which it was plunged as a result of the large-scale imperialist conspiracy directed not only against the Soviet Union but also against all the peoples of the world." The message also contains a curious confession: "The forces that are hostile to freedom, peace, and progress can only be restrained through force because they do not know moral values. (Moral values are certainly inherent only to the leader of the Libyan revolution—Ya.B.). Mu'ammār al-Qadhafi, just like Nina Andreyevna, his supporter from Leningrad, is not prepared to "forgo principles"—incidentally, in contrast to the "wavering, weak, and greedy." And therefore, the president of Jamahiriya, with a soldier's straightforwardness, concludes his message with the words: "We... support you and stand by you."

Just what united the leaders of the putsch and the leaders of the republic and Jamahiriya and the one chairman? What common values and reasons incited the "wise statesmen" to support the junta which shamefully ended its existence less than 72 hours later?

First of all, they were united by their staunch rejection of the Soviet leadership's foreign policy, the "new thinking," and the priority of universal values.... Confrontation between the great powers was important to them because their regimes only have a chance to survive in the murky waters of confrontation. It is Yasir 'Arafat, Saddam Husayn, and Mu'ammār al-Qadhafi who have sharply opposed the international peace conference on the Middle East. It is these forces that have assessed the glimmer of hope for peace in the region as an "American-Israeli conspiracy" (incidentally, they see conspiracies at every step—Ya.B.). They condemned USSR foreign policy because they thought that M.S.

Gorbachev "had taken the American positions which had to irritate the leadership of the army, KGB, and CPSU." Finally, this is vengeance against the President of the Soviet Union for the position that the Kremlin took during the Persian Gulf War.

Second, there is the hatred in their genes for democracy. There are one-party regimes in Libya and Iraq. There is the unrestrained cult of personality of Mu'ammār al-Qadhafi and Saddam Husayn. The support of international terrorists of every stripe and complexion. The regimes' reliance only on the army and state security. The total violation of elementary democratic freedoms. It is no wonder that, according to international rights protection organizations, both Libya and Iraq are among the top ten nations in which human rights are systematically and grossly violated. At the same time as the "Bandit of Baghdad" even today is conducting a war on two fronts—against the Kurds in the North and against the Shiites in the South, the Palestinian leaders are fighting, not only with stones against the Israelis, they are also killing their own Palestinians who have been suspected of cooperating with the occupiers; in fact, those who are attempting to find another solution to the Middle East conflict that is different than the PLO's solution. PLO intelligence services have already shot 382 Palestinians, more than a third of the victims of Intifada, in accordance with this standard accusation.

In short, a total rejection of democracy and the moral and ethical values of a free legal society united the leaders of these countries and the one group with the leaders of the junta. And the single hatred of the West—the source of all of the misfortunes in the world, in their opinion.

Third, the "saviors of the Homeland" from the USSR impressed very much the heads of the regimes in Baghdad and Tripoli because both they and the others did not come to power legally but as a result of military coups and revolts. Colonel al-Qadhafi, along with other conspirators, overthrew King Idris-I on September 1, 1969. Then still Iraqi Vice President Saddam Husayn disposed of Republic President Ahmad Hasan ul-Bakr on July 16, 1979 and conducted a bloody purge of both supporters of the country's former leadership and of his own comrades-in-arms a month later.

And the regimes in Baghdad and Tripoli and the military-party regime that existed in Moscow for less than three days were built on lies. The Kremlin putschists lied about the President's imaginary illness, calling him "their friend" and the Thief of Baghdad is still lying today about Iraq's imaginary victories in the war with Iran and in his skirmish with the forces of the international community in the Persian Gulf. Our native reactionaries—from Writer—"Patriot" Prokhanov to General-Obscurantist Filatov—support Saddam in this lie....

Fourth, the Moscow "riff-raff" instinctively discerned their kin in Baghdad, in Tripoli, and in the occupied territories. The political ambitions of the existing and would-be fuhrers turned out to be obviously higher than

their actual capabilities. The habitual drunkard Yanayev with his trembling hands and the perspiration on his forehead (that is how he and his associates appeared before the public at the first—and, thank God!—only post-putsch press conference and we all breathed easier: "No, these people will not be able to hold power for long due to their mental backwardness!") saw himself only in the chair of the president of a great country. He even said so: "I have too often imagined myself in the President's chair." Saddam Husayn imagines himself as the leader of the Arab World. The Arab World is too small for Mu'ammār al-Qadhafi. Even the Muslim World is too small! He wants the entire Third World! And due to their ambitions, these people are prepared to resort to any crimes....

And, finally, brutal anti-Semitism united them all, more correctly, ordinary, right down to the everyday level, anti-Semitism, while considering the fact that the Arabs—are Semites themselves and the first cousins of the Jews.

A friend is never known till a man has need. An old, trite, but eternal truth.

Kuwait Envoy on Invasion Events, USSR Ties

*91UF1153A Moscow RABOCHAYA TRIBUNA
in Russian 10 Sep 91 p 3*

[Interview with 'Abd al-Mohsen al-Du'ayj, ambassador extraordinary and plenipotentiary of the State of Kuwait, by Vladimir Mikhaylov; place and date not given: "Unpleasant Call at 0630 in the Morning"]

[Text] Kuwait's independence was proclaimed 30 years ago. But a year ago an attempt was made to take it away: On 28 August Iraq, which had perpetrated aggression against its small neighbor and occupied its territory, declared Kuwait Iraq's 19th province. But Baghdad had overlooked both the Kuwaitis' resolve to defend their country and the readiness of the world community to defend the victim of the perfidious attack and teach the aggressor a lesson, after which anyone wishing to expand his "living space" at the expense of his neighbors will henceforward think very hard before switching to decisive operations.

The Kuwaiti patriots became guerrillas and commenced their war against the aggressor, diplomats overseas began theirs. It was difficult for both. I heard repeatedly of the courageous work in Moscow of the Kuwaiti ambassador and about how, thanks to his endurance and belief in final victory, the embassy worked precisely and smoothly, without interruptions. For this reason the first question I put to Mr. al-Du'ayj was about the embassy's first days following the aggression.

[al-Du'ayj] At 0630 in the morning on 3 August last year there was a telephone call from our Foreign Ministry, and I heard the dreadful news. It was so improbable that I did not believe it and asked for it to be repeated even.... It was too early to locate any Soviet officials, and only at

0830 did I manage to meet with Mr. Belonogov, deputy USSR foreign minister, and notify him of the aggression. He also was shocked—it had seemed, after all, that Kuwait's negotiations with Iraq had been going successfully—and promised to immediately report what had happened to the country's leadership. He was sure that some measures would be taken to halt the aggression. When, at nine in the morning, I returned to the embassy, I received the news that my motherland had been totally occupied.

For some time I was in the grip of gloomy thoughts not, most likely, entirely appropriate to the circumstances: How now to comport myself with Soviet people, what our status would be, would not armed persons from the Iraqi Embassy show up and seize our building? I turned to the USSR Foreign Ministry. I was reassured, and extra security from the militia and plainclothes people were sent at once. Two other people then came and introduced themselves—a general and colonel of the KGB. They also tried to reassure us and said that the embassy would be put under observation, but that if we saw or sensed anything suspicious, we were to call them immediately. I took down their telephone numbers, and they left, leaving their people in place.

In the now calmer atmosphere we got down to business. And when we saw that nearly all Soviet people had taken the part of Kuwait, we were able to concentrate conclusively only on business. All media were opened to us, and in this time I gave more than 100 interviews to Soviet radio, TV, and press correspondents and those accredited in Moscow. We had working conditions which other diplomats, particularly in the countries that were supporting Iraq, could only have envied.

[Mikhaylov] You probably had relatives in Kuwait. What did you learn about what had happened to them?

[al-Du'ayj] I will say frankly, and this might not sound all that good, possibly, that their fate troubled me no more and no less than that of any Kuwaiti. My brother, who was at that time in Hungary, called and said that he was flying to Moscow. But I replied that he was needed more in Kuwait: For the guerrillas, which there would necessarily be, each man would be of account. He returned to Kuwait. Two months later I was told in a telephone call from Cairo that my mother was in Egypt and was completely safe. August was, after all, vacation time, and many of us were spending it overseas....

[Mikhaylov] We know that, as they left, the Iraqis bore off with them all that they could carry, up to and including door locks. How is the restoration of the country and its capital going?

[al-Du'ayj] Happily, Baghdad was forced to withdraw its forces within 24 hours, and Kuwait City was spared. We found such a quantity of emplaced explosives that, had the Iraqis had the time, not a single building of Kuwait City would have been left standing. But they still destroyed vitally important facilities of ours, for all that: power stations, oil wells, the water-supply system. They

are being restored successfully. As far, however, as the looting is concerned, vehicles, furniture, equipment—these are simply objects, which can easily be acquired anew. But there is that which it will be extremely difficult, if not impossible, to restore.

The occupation forces also plundered a multitude of historical and cultural valuables. The university library, for example, had 170,000 unique books. And masterpieces of Islamic art were kept in the capital's museum. They wanted to completely erase reminders of our history and culture, expunge the people's national self-awareness and force them to come to terms with the occupation. We are currently with great difficulty, little by little, getting back what was plundered. Unfortunately, it will hardly be possible to restore all the treasures, not to mention the museum building, which was destroyed. But we were lucky to some extent: Some masterpieces of Islamic art were at the time of the aggression in the Soviet Union—they were on display in the Hermitage.

[Mikhaylov] The aggressor has already been punished militarily. But economically?

[al-Du'ayj] We put the damage at \$60 billion. The Security Council has passed a resolution in accordance with which Iraq has to make restitution. Not only to us but to other countries that suffered from its actions also. The actual damage caused the civilian population will be determined by a group of experts of the United Nations made up of representatives of 15 states.

[Mikhaylov] But how practically can Baghdad be forced to pay for the robbery? And will the burden of this payment not be borne by ordinary Iraqis, women and children innocent of the crimes of the leadership?

[al-Du'ayj] Oh, a dependable mechanism has been devised. This money will be taken from the amount which Iraq obtains from the oil it sells. There is a special account, into which the money for oil exports will be paid, and Iraq itself cannot dispose of it without the United Nations. Thirty percent of the resources will automatically go to Kuwait as payment for the damage, as much again, to other countries, including Israel, which was the victim of Iraqi missiles, and also to pay for the work of UN experts, for the destruction of Iraq's heavy weapons (and this will cost \$600 million) and so forth. Nor will Baghdad get its hands on the remaining 40 percent: The United Nations will determine the population's requirements and will allocate this money for water supply, the restoration of energy supplies, medication, and food. All has been considered with a view to preventing the possibility of new millions being spent on arms.

[Mikhaylov] And how are things going with regard to the extinguishing of the fires raging at the oil wells? Can they all be put out and how quickly? This is, after all, a problem for far from just Iraq, it concerns the whole planet.

[al-Du'ayj] This work is proceeding with growing intensity, and specialists from many countries are participating. Whereas initially the fire was being put out at the rate of two wells per week, 15 are being extinguished weekly now. Specialists of the Russian Konversiya firm also are in Kuwait. They have concluded a contract to "pacify" 43 of the most difficult fires. We have managed to save 335 oil wells from fire all told.

But we have done more than this. We have reestablished oil production and exports. We are today producing 335,000 barrels a day, which is one-third of its production prior to the aggression, and will by the end of the year have reached the level of 1 million barrels a day. But the main thing, perhaps, is that we have dispelled the misgivings of many specialists who feared that as a result of the fires the oil would mix with water and that pressure in the wells would be altered. Neither has happened at the 192 wells which we have restored.

[Mikhaylov] The Soviet Union and Kuwait are linked by long-standing tolerable relations. It has been possible in recent years to speak of relations that are friendly and moving into the businesslike category, what is more. Subsequently, apparently, these relations will develop in precisely this direction. The creation of joint ventures and the assistance of specialists in the fields in which each country is strong will, I believe, be a very promising form.

[al-Du'ayj] I will speak about this, but first permit me to reflect somewhat on recent events and on how they have been reflected in our relations.

President Bush's determination to liberate my homeland by force was undoubtedly unacceptable to many people, even in the United States. But Bush got his own way, Kuwait was liberated, and the aggressor received a cruel lesson. We are grateful to the United States. But we are no less grateful also to the Soviet Union and its leadership and people for their firm and high-minded position. I do not know what might have eventuated had such a great power entered into confrontation with the anti-Iraq coalition. And for this reason we will never forget this and will always be grateful to the Soviet Union, which did everything possible for the liberation of Kuwait.

In turn, our leadership occupied a firm and decisive position at the time of the events of 19-21 August, having refused to recognize the junta in a statement made the very first day.

Now as far as our cooperation is concerned. We have always applied efforts for the development of our relations, and it is not our fault that they have remained at quite a low level. Kuwait has not been on the list of "priority" states for the Soviet Union, although objectively both countries could derive considerable benefits from such cooperation. I realize that this position of Moscow's has contained reasons which have by no means been part of the sympathies and antipathies of the top Soviet leadership. We have observed with satisfaction in recent years how in the USSR's business relations

with other states ideological considerations have gradually been giving way to professionalism and concern for mutual profitability in trade. Now, on the other hand, when the forces of the right (it is no secret that it was they who actively supported Baghdad) have been forced to quit the political stage, I hope that our relations will develop more rapidly.

Causes of Hostage Situation, Prospects for Resolution Examined

91UF1136A Moscow KRASNAYA ZVEZDA in Russian 28 Aug 91 p 5

[Article by Lieutenant-Colonel R. Mustafin, KRASNAYA ZVEZDA international observer: "The Acute Problem of Hostages in the Middle East: An Observer's Comments"]

[Text] "There is no joy without sadness, and there is no sadness without joy. But there is always sadness before joy and joy before sadness. And everything will pass." This was written many centuries ago by an unknown Russian artist. These words, which allow each person to look upon the vicissitudes of life as bearable in time, perhaps best reflect the dynamics of the most recent events concerning the hostage problem in the Middle East.

Just a short while ago this topic seemed to be completely "dead." Nothing foreshadowed any sorts of moves or shifts in this matter, which is exceedingly complicated and painful for mankind. And suddenly three of the thirteen Western hostages in the hands of Shiite factions in Lebanon were freed all at once: the Englishman J. McCarthy, the American E. Tracy, and the Frenchman J. Leyraud. Still more unexpected was the letter transmitted through McCarthy to UN Secretary General Perez de Cuellar. In this letter the faction known as "al-Jihad al-Islami" offered to free the remaining 10 prisoners in Lebanon in exchange for the hostages seized by the Israelis and being held in Israel; these include one of the leaders of the Lebanese Shiite organization named "Hizbollah," an organization well-known for its ties with Iran.

For its part, Israel expressed a readiness to "show the necessary flexibility" in this matter. To be sure, in the beginning Tel Aviv insisted that it must obtain all reliable information concerning seven Israeli soldiers who were missing in Lebanon. And, inasmuch as the leaders of the "Jihad" up to now have remained silent on this score, which has evoked among the Israelis, I think, not only a lack of confidence, but also the gloomiest assumptions regarding the fates of its military servicemen, a "pause" has ensued in the negotiations between the UN secretary general and the Israeli representatives in Geneva.

The reaction of the mass media was also appropriate. Estimates of the prospects for resolving the hostage problem changed sharply—from an extreme and, as it

now appears, unjustified optimism and euphoria concerning the rapid—i.e., within the next few days—release of the remaining Western hostages to disillusionment and pessimism.

Let's refrain from extremist viewpoints, and let's attempt to analyze the causes of such an initially unexpected turn of events in resolving the hostage problem. The seizure and holding of hostages—a phenomenon well-known in the West as political kidnapping—is only a part of a broader and more complex problem—that of terrorism. Let me stipulate the following point right away: Middle Eastern terrorism is not an isolated phenomenon; it is not limited by the geographical framework of this region. The "tracks" of many crimes committed in Europe, America, Asia, and Africa—hijacking airplanes and ships, kidnapping people, setting off bombs—lead to the Middle East.

It's a well-known fact that terrorism, as one quite ugly form of political extremism, traditionally accompanies the exacerbation of sociopolitical, economic, religious-ethnic, and other contradictions or conflicts. As a rule, it appears when there is a feeling of fear, despair, and a sense that there is no way out of one's position. It's a unique kind of reaction to an understanding of the lack of prospects for attaining one's goals by other means, e.g., by open military opposition or by political methods. It's also a desire to attract world public opinion to one's own problems, to make a loud statement about oneself, and to compel others to take oneself into consideration.

It's no accident that many Western researchers think that the peak of Middle Eastern terrorism was reached in the mid-1980's. There are many reasons for this opinion, and they include the following: the impasse-type situation in the region, wherein some of the radically minded Palestinians saw no method for attracting the attention of world public opinion to their problem other than stepping up extremist acts, the attempt to use terrorist organizations as tools for accomplishing their own foreign-policy goals, along with those of several states in this region which had undertaken to play the role of "sponsors."

However, in achieving certain temporary goals, the terrorists themselves and those who back them up lose considerably more than they gain. Thus, for example, after charging Libya—whether justifiably or not is another matter—with complicity in a number of terrorist acts in Western Europe, including some directed against American facilities, the United States unleashed a bombing raid on this Arab country. In late 1986 and early 1987 relations worsened between several Western states and Syria. Nor did the extremist sections of the Palestinian resistance movement do anything to improve the "image" of its members. The consequences of such actions are felt even nowadays. Realistic-minded members of the PLO [Palestine Liberation Organization] understand this. It's not by accident that such a "master" of terrorism as the lamentably well-known Abu Nidal, who—in the words of one of his own former aides—"kills for the sake of killing," himself heads the list of those terrorists who, in the leaders' opinion, must be brought before the court of the Palestinian people.

Violence engenders violence. And a special "Delta" group has already been set up in the United States for the purpose of combating terrorism, whereas the Israeli special services conduct punitive raids on the territory of Lebanon, Tunisia, and other countries. The goal is to eliminate the leaders of various Palestinian factions and groups which, as the Israelis assume, take part in organizing terrorist acts against Israel. But the victims, as it frequently happens, turn out to be completely innocent persons.

Some persons are inclined to explain the recent decline in terrorism as due to the successful counter-terrorist operations by the Western and Israeli special services. Frankly speaking, I do not share this point of view—in the first place, because it's quite hard to differentiate between the genuine terrorist activity and, let's say, the actions of the Lebanese and Palestinian resistance movements in the southern part of Lebanon, which is occupied by the Israelis, and, in the second place, because it is frequently the case that those who in the West are termed "counter-terrorists" themselves utilize the methods and devices of the terrorists. And to dispute as who began this secret war first—Israel or the Palestinians?—is just like trying to elucidate the age-old question as to which came first: the chicken or the egg?

Yes, there have been certain successes in the fight against terrorism. It would be senseless to deny them. It has become more difficult to hijack airplanes and to set up explosions. However, I would compare these measures to treating the symptoms of a disease rather than the disease itself and its underlying causes. Serving as proof of this point are the most recent events concerning the Western hostages. Hopes for their release became possible only after certain shifts or moves were made toward normalizing the situation in the Middle East, moves in the direction of regularizing the Middle Eastern problem. And—to my way of thinking—the main thing was that all these changes were connected with the Iraq-Kuwait crisis. During the course of eliminating its consequences a definite mutual understanding was reached among the United States, Syria, and Iran. Hopes began to appear—to be sure, still tenuous—in the Palestinians for a resolution of the Palestinian issue. Let's not put too fine a point on it or outsmart ourselves, however; improvement in the Middle Eastern climate will not—in and by itself—automatically lead to a resolution of the hostage problem. Syria, Iran, as well as the Palestinians and the Israelis, all have an interest in solving this problem.

Alas, terrorism, whether the actions of certain factions are elevated to the rank of state policy by certain countries, has become a dangerously menacing phenomenon in our times. Its gloomy shadow has been cast on the public life not only of the Middle Eastern states but also that of many other regions. Terrorism is a bad omen of our times. And no matter what good intentions the terrorists cloak themselves in, there is no justification for them. But in order to conquer it, we must unite the efforts of the world community. We must unite on the principles of the new political thinking.

Potential Soviet Emigrants to RSA Advised of Difficulties

91UF1137A Moscow KOMSOMOLSKAYA PRAVDA
in Russian 28 Aug 91 p 3

[Article by V. Tetekin, candidate of historical sciences: "Are You Planning To Move to the RSA? Bear in Mind That You Will Be Treated Like Blacks: Advice to Potential Emigrants"]

[Text] During the last couple of years the underground passageways in the center of Moscow and other crowded places have begun to witness the hand-to-hand trading of an extremely specific item—questionnaires, i.e., applications to go abroad, including those for emigrating to the RSA [Republic of South Africa]. The price of such a questionnaire amounts to as much as 200-300 rubles. For a long time we had virtually no relations or ties at all with that country, but rumors about the fabulous living standards of whites in the RSA spread quite rapidly just at the time when exiting the USSR was made easier.

Nowadays the sellers of such questionnaires in the underground passageways have begun to have serious competitors in the form of various firms, in particular, the firm entitled "GOTEM."

For only 30 rubles it will arrange for you to "take the first step." Let's pose a logical question: The first step to what or where? GOTEM's advertisement seems to answer that question as follows: "South Africa is renowned for its economic and political stability. The living standards of South Africans certainly exceed those in the countries of Europe and America." And so—for 30 rubles—you are invited to take the first step toward a high standard of living in a country characterized by a high level of stability. I would like to share with you some views and considerations on this score, stemming from my study of the RSA over a period of 10 years and from the two weeks which I recently spent in that country.

Things in the RSA certainly do not "smell" of "political stability," but more like gunpowder; and dozens of people perish there every week.

As to the standard of living, yes indeed—from an external point of view—South Africa looks like a paradise for a white person. It has a luxurious climate, villas, lawns.... Some time ago rumors were circulating to the effect that the RSA government was giving each white immigrant 50,000 rands (N.B. 1 U.S. dollar equals approximately 2.6 rands), a car, a villa, etc. But, as it turned out, these rumors do not jibe with the reality.

Nowadays other, more rational, sensible figures are being cited. An enterprising firm from Eastern Europe is engaged in "organizing and recruiting" people in the Baltic region, promising wages of 1,000 U.S. dollars a month. This figure is more realistic, and, therefore, we will use it as the point of departure in our discussion. This 1,000 dollars must be multiplied not by 30 or 35 (as it would be according to the present-day, deceptive rate

of exchange between the dollar and the ruble), but rather only by 2.6. One would then get 2,600 rands. Let's look at what that means. The figures cited below are, of course, approximate, but they furnish a general idea about the levels of income and expenditures.

The income tax is 20 percent. That leaves about 2,000 rands a month. Renting a one-room apartment costs 400 rands monthly. However, that does not include the payments for water (which is expensive there), electricity, and other municipal or communal services. Food and petty expenditures for a family of 2 or 3 persons amount to approximately 800-900 rands per month. And, of course, that is only a part of the necessary outlays.

Nobody is going to serve you all this on a "saucer with a light blue edging." All this must be earned. Indeed, South Africa does need specialists, but only highly skilled ones. Here too we have some unique problems. There is no agreement between the USSR and the RSA concerning the equivalency of educational diplomas. And so people need to study more, be retrained, and pass exams all over again.

But our potential emigrants are too frequently guided by the following naive principle: "The main thing is to get out of here; then we'll sort out everything there." They will agree to take on any kind of work—just to catch on and gain a toehold, so to speak. But nothing will come of this in South Africa.

That country now has about 4 million unemployed persons. Therefore, the chances for our emigrants to "catch on and gain a toehold" by taking "any kind of work" seem minimal. Furthermore, the South African trade unions have recently been demanding with increasing determination that jobs be offered, first of all, to unemployed South Africans, and only then to emigrants. And so to go to the RSA without having a firm agreement with a specific employer is risky even for highly skilled specialists, inasmuch as the RSA is basically satisfying its needs for specialists at that level by emigration from Great Britain and other English-speaking countries.

Nor should we forget that whites are not only going to South Africa, but are also actively leaving it. The figure of those leaving the country is comparable with those coming to it.

For some persons South Africa looks like a paradise for whites. However, according to the estimates of Ina Perlman, the director of a public organization entitled "Operation Hunger," some 10,000 whites in South Africa use the services of charity kitchens.

There are also many other "details" of the moral and psychological atmosphere that surround persons arriving from the Eastern European countries. Nowadays the whites regard the USSR better than before, but they prefer that we remain at home and not exacerbate their problems, which are quite considerable even without

this. According to official data, during the past 10-15 years RSA citizenship has been obtained by exactly 9 emigrants from the USSR. As a rule, moreover, they arrived in the RSA by way of Israel.

Commentary Views Signing of RSA National Peace Accord

*MB1809085991 Moscow Radio Moscow in Afrikaans
1700 GMT 16 Sep 91*

[Aleksandr Fedorov commentary—read by announcer]

[Text] The leaders of 24 political parties and organizations in South Africa, including the African National Congress and the Inkatha Freedom Party, have signed a National Peace Accord. President F.W. De Klerk was one of the leading figures who placed his signature on the document. Aleksandr Fedorov comments:

This event was preceded by large-scale preparations by all who were interested in the peaceful dismantling of apartheid. Will peace eventually come to South Africa now that this goodwill document has been entrenched? Fedorov says that the question cannot be answered simply. The reaction by all who signed the document demonstrated that the old disputes and enmity will not be quickly forgotten. After the leaders of the organizations placed their signatures on the document reports were received of more unrest-related deaths in black townships.

Fedorov agrees with Archbishop Desmond Tutu who said that apartheid is responsible for the intolerance in the country. Yes, the key laws regulating separate development have been repealed and the ruling National Party has announced its constitutional proposals, but the benefits have still not been made accessible to the people. The new reforms are being sabotaged by local governments who have indicated that they mistrust the government's plans for reform. The suspicion existing in

the minds of the liberation organizations has been cultivated over decades and will not disappear overnight.

The SOWETAN editor Aggrey Klaaste said on state television that when violence takes place the leaders become panic-stricken and they issue statements that sound very aggressive at times. This sends a signal to their supporters who have reached the conclusion that a war-cry has been issued. However, there are indications that the peace accord will result in a sharp drop in violence especially when the ordinary members of the warring factions are convinced that their leaders are determined to bring about peace. If their leaders stand together now then they can take this positive attitude with them to the negotiating table.

Fedorov further says that he does not want to create the impression that he is undermining the role of the liberation organizations in the peace process. However, it is significant that President De Klerk has announced that he will accept all the responsibility for the duties to be exercised by the government in ensuring that the measures mentioned in the peace accord are carried out. Earlier, the situation existed where government bodies were neglecting their duties. Those who benefited from the bloodbath in the townships took advantage of the situation, as well as those who propagated ethnic division.

The firm position of the government is a guarantee that the rightwing will not be able to fulfill their plans. At the Conservative Party Congress held on the same day as the signing of the National Peace Accord, the party leader Andries Treurnicht made new threats. He declared that his party and the other far-right organizations have declared war.

The agreement signed by leaders of 24 parties and organizations is definitely an important event for South Africa in the present phase but the agreement will only be worthwhile if more steps are taken to dismantle the systems of apartheid.

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